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Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service

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Building a strong work environment in British Columbia's public service : a key to delivering quality service

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2002/03 Report 1: Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
April 2002

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

102-04436/

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auditor general's comments

At some point in their lives, all British Columbians are the recipients of the services government provides. Education, health care, agriculture, fisheries, transportation and the environment are just a few of the many areas where government services affect the lives of British Columbians every day. British Columbians expect these services to be delivered promptly by staff who are both competent and courteous. Research has shown that citizens expect to receive at least the same quality of service as they do from private sector companies, despite the fact that they recognize government services are often more complex and difficult to deliver.[1] As taxpayers, they also want these services to be delivered efficiently and economically. This requires a workforce that is enabled, encouraged and rewarded to give of its full creativity and talent.

I undertook an audit of the work environment in the public service because I believe a well performing government, one that meets the service expectations of British Columbians, can only be achieved through a strong, highly competent and committed public service. Research has shown that good performance and customer satisfaction are linked to a strong work environment. Companies such as Sears US and the Royal Bank of Canada have discovered that an increase in employee satisfaction results in a predictable increase in customer satisfaction and loyalty, which in turn ultimately increases revenue and profit (see Appendix A).

Audit Purpose and Scope

The purpose of this audit was to assess four key factors that affect the ability of the provincial government to deliver quality services to British Columbians: executive leadership, employee engagement, organizational culture and performance management.

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[1] Spears, George and Kasia Seydegart of Erin Research Inc. Citizens First 2000. For the Public Sector Service Delivery Council and the Institute of Public Administration of Canada, 2001.

Strong executive leadership is essential to the effective management of government. Although everyone has an important role to play in building a strong work environment, it is the executive leaders who set the tone for the organization. Executive leadership in the public service is made up of politicians and senior public servants. While the findings and conclusions presented in this report relate only to the latter, politicians can also contribute to the building of a strong environment in British Columbia's public service.

In times of dramatic change, such as currently being experienced by the public service, strong leadership is critical. Therefore, the acquisition, development and retention of leaders is central to a well-performing government. Effective leaders enable their employees to act to achieve both individual and organizational goals. They do this by providing clear direction and the resources needed to do the job and by recognizing their staff for doing good work. They communicate openly about both current results and expected changes, and they encourage others to communicate honestly and frankly in return.

A well-performing public service also requires employees who are "engaged"—that is intellectually and emotionally involved in their work and organization. Engaged employees are proud of their contribution to the success of their organization, team or work unit; they speak positively about their organization to friends, family, acquaintances, customers and other stakeholders; and they demonstrate an intense desire to remain a part of their organization. Research has shown there is a relationship between employee engagement, good organizational performance, and customer satisfaction (Appendix A).

The term "culture," as used in this report, is defined as the dominant values of an organization. It is about how things are usually done in an organization. It predisposes those involved in the culture to prefer one state of affairs over another. An organization's culture can be defined by where on a continuum it stands on a number of different dimensions. What is most important: Process or results? The job or the people doing it? Is the organization closed or open to new people? Is it flexible? I believe that the culture in the public service should be citizen-centred with values that encourage employees to put citizen interests first and to act in new ways to make service better for their clients. A successful citizen-centred culture is one that empowers people, that encourages them to be innovative and to communicate openly, and that focuses on satisfying, to the extent possible, both clients and the general public through continuous process improvement.

In order for government to make informed decisions on matters that will impact service quality, it needs to know what service levels citizens expect, what level of service is currently being provided, and what level of service it can afford to provide to better meet citizen expectations. In other words, it needs information on its performance to set goals and objectives, allocate resources, confirm or change direction to meet these goals and report on the success in meeting them. Since service quality and the work environment are inevitably linked, government also needs to have an understanding of how the state of the work environment impacts service quality and its ability to achieve its goals and objectives. For this audit, we examined whether government was measuring and reporting on the quality of service delivery, the state of the work environment and the linkages between these two.

This audit is a follow-up to some of the issues we identified in our 2000 audit, *Maintaining Human Capital in the British Columbia Public Service: The Role of Training and Development*. In this earlier audit we noted that the public service was undergoing a number of challenges and changes, such as the downsizing that occurred during the 1990s and the increased need for knowledge-based work. We concluded, among other things, that the work environment was impeding the performance of the public service. Since then, the public service has continued to face similar challenges while new ones, such as the impending retirements of the baby boomers, are only beginning to surface. Undoubtedly some of the biggest challenges currently facing the public service are the large budget cutbacks faced by almost every ministry in government. With thousands of employees expected to leave the public service and with the inevitable restructuring, the impact on the public service will undoubtedly be immense.

The findings and conclusions included in this report are based on evidence available up to December 2001. My staff performed this review in accordance with standards for assurance engagements recommended by the Canadian Institute of Chartered Accountants. These standards require us to carry out such tests and procedures as we consider necessary to obtain sufficient evidence to support our conclusions.

Our findings and conclusions are primarily based on a work environment survey sent to over 6,000 public servants

This report contains the results of a large survey we conducted between December 2000 and February 2001 of full- and part-time regular employees in all 20 government ministries. (It did not include public servants in agencies, boards, commissions or Crown corporations.) We sent our survey to more than 6,000 public service employees, and achieved a 74% response rate. We sought respondents' views on, and experiences with, their work environment. All survey responses presented in this report represent the percent of employees selecting the two most favourable options from a 6-point scale (e.g., those selecting "1" or "2," corresponding to "strongly" or "mostly" agree). The survey findings for the public service as a whole, are considered to be statistically accurate within 2%, 19 times out of 20; for employees under 30 years of age, the results are accurate within 6%, 19 times out of 20. Statistics Canada and Hewitt Associates, an international human resources consulting firm, assisted us in the survey development and analysis of results. We also compared our survey results to other relevant research, such as the Hewitt Associates database, an employee survey of the federal public service, and a work environment study sponsored by the Public Service Employee Relations Commission (PSERC). (For more information about our survey methodology, see Appendix B.)

Overall Conclusion

Significant changes to improve the work environment are needed to meet the service expectations of British Columbians

An unhealthy work environment in the British Columbia public service is putting the delivery of quality service and the achievement of government's objectives at risk. The ability of government to deliver its programs

The work environment has probably changed since our survey was conducted

I recognize that since our survey was administered a little over a year ago, the core review process is well underway and most ministries are faced with large budget cutbacks. As a result, the work environment as reported here may well have changed. In light of the severe staffing cuts expected to be realized over the next few years and the impact these will have on staff morale, service levels and the government's ability to attract new employees in the future, I believe that the government cannot afford to ignore the issues presented here. They are, perhaps, more relevant than ever.

requires a strong public service, which in turn requires a healthy work environment. We concluded that the work environment in the public service is being weakened by a lack of strong leadership in the executive ranks. The result is employees who are only moderately engaged in their work and a culture that does not encourage employees to question current practices or to continuously improve the services they provide British Columbians.

We also concluded the performance management information currently available does not allow government to know whether its work environment can support the achievement of its objectives. Greater understanding of the linkages between government performance and its work environment would also help government better understand how changes to the work environment will likely impact its performance, including the quality of service it provides British Columbians.

Key Findings

Stronger leadership is required to ensure the delivery of high quality service to British Columbians

I was disappointed to discover that employees in the British Columbia public service do not trust or have confidence in their leaders. This issue permeated all of our findings and stood out overwhelmingly. Our findings also indicated that addressing leadership concerns provides the best opportunity for government to improve employee engagement and to create a culture that is truly citizen-centred.

Key Results from Our Survey

Areas of Concern

Only about a quarter of public service employees:

- are satisfied with their ministry leadership;
- believe their leaders provide clear direction for the future;
- have confidence in the leadership abilities of their leaders;
- believe their ministry leaders are making the changes necessary to be successful in the future;
- believe their leaders are open and honest in communication; and
- believe their leaders are aware of and care about employees' concerns.

Even fewer public service employees—17%—trust executives to balance the needs of employees with those of their ministry.

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Effective leaders provide direction, ensuring their staff know what is expected of them and what they are trying to accomplish. Clarity of purpose is one of the few constants across high-performing organizations.[2] Strong leaders are able to inspire and motivate their staff to share their vision and their goals for the organization. Our government-wide survey found that less than half of employees are clear on the vision, mission and values of their ministry, and only 21% of them believe that their leaders provide them with clear direction. The uncertainty in this situation may have led to staff's lack of confidence in their leaders. Only 27% of employees reported being confident in the leadership abilities of ministry executives. Even fewer—23%—said they feel confident that their ministry is making the changes necessary to be successful in the future.

A well-performing government also relies on there being trust between staff and their leaders. Without this trust, a number of inefficient and costly controls are required to compensate. Effective leaders instill trust by communicating openly and honestly, acting consistently, and treating their staff with respect. Given the importance of trust, I was concerned to find that the majority of employees in British Columbia's public service say they do not trust their leaders. Only 26% of provincial employees believe their executives communicate openly and honestly. Moreover, only 17% trust executives to balance their employees' needs with those of the ministry, and only 22% believe their executives are aware of or care about employees' concerns.

This climate of distrust is troubling, particularly in light of a recent study by PSERC which found that the main reason individuals gave for leaving British Columbia's public service in the last three years was dissatisfaction with management or leadership.

Although our survey was not designed to answer why employees hold these views about their leaders, we believe that the high turnover in executive positions may provide a partial explanation. We found that, on average, cabinet ministers and deputy ministers have less than two years to develop an understanding of their organization, establish a vision and begin to mobilize their staff to achieve it before they leave the ministry. This is simply not enough time to do all of this effectively.

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[2] Popovich, Mark G. Editor. *Creating High-Performance Government Organizations.* San Francisco: Jossey-Bass. 1998.

Improvements in employee engagement are necessary to meet the public's expectations for service

Changes in the work environment are needed to improve the degree of employee engagement in British Columbia's public service. I was particularly concerned to find that employees under age 30 are the least satisfied with their work. This poses a challenge for government, which will need to replace much of its current aging workforce in the next 10 years. As well, with only 43% of all employees saying they would recommend their department to a friend seeking employment, it is clear that government faces some challenges in attracting new employees to the public service. With the downsizing currently underway, the attraction of the public service as a place of employment is not likely to improve over the next few years.

Besides being concerned with attracting and retaining the next generation, government should also concern itself with retaining the valued employees it already has. Although most employees are satisfied with their work and their relationships with their co-workers and clients, few are satisfied with the individual recognition they receive from their managers or the career advancement opportunities available to them.

Recognition has been shown to motivate staff, increase morale, productivity, and employee retention, and decrease stress and absenteeism.[3] Unfortunately, fewer than one-third of public service employees believe that their managers

Key Results from Our Survey

Strengths to Build Upon	Areas of Concern
Of British Columbia public service employees...	
▪ about 60% are satisfied with their day-to-day work, get personal satisfaction from their work and believe that their job is interesting and challenging ▪ 78% are satisfied with their co-workers ▪ 71% enjoy working for their clients but only 52% under age 30 do	▪ only about 50% under age 30 are satisfied with their day-to-day work, get personal satisfaction or believe their work is interesting and challenging ▪ only 43% of all employees would recommend their department to a friend seeking employment ▪ only 29% are satisfied with the recognition they receive and only 20% agree that recognition and rewards are based on merit ▪ only 26% agree that there are enough opportunities for them to advance in their career

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[3] EIA International Panel Discussion. *Performance Measurement and Recognition—Achieving Results through Employees.* Friday, August 28, 1998.

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Areas of Concern

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- only 29% are satisfied with the recognition they receive and only 20% agree that recognition and rewards are based on merit
- only 28% agree that there are enough opportunities for them to advance in their career

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[3] EIA International Panel Discussion. *Performance Measurement and Recognition — Achieving Results through Employees*. Friday, August 28, 1998.

are doing a good job of recognizing their achievements. An even greater concern is that only one in five employees believe that recognition and rewards in their workplace are based on merit. This finding is likely linked to the climate of distrust noted earlier. In order to trust their leaders, employees need to believe they are being treated fairly, and the lack of merit-based recognition detracts from this.

It is not surprising, therefore, that a recent survey by PSERC found that lack of recognition was one of the top five reasons employees gave for leaving the British Columbia public service in the last three years. Clearly, government must do a better job of recognizing its valued employees. I believe the ministries should hold their managers accountable for recognizing the performance of their staff. To be effective, recognition needs to be immediate, specific and fair.

Opportunities for career advancement are key in attracting and retaining employees. However, fewer than one-third of British Columbia's public service employees believe they have enough opportunities to advance in their careers. Clearly, government's recognition of the importance of succession planning and its commitment to addressing this concern has not resulted in defined career paths for employees. Ensuring that employees establish a realistic career plan is an important part of planning for succession. However, since it is unlikely there will ever be enough advancement opportunities to satisfy all employees, it will be important for government managers to work with their staff to generate other ways to challenge them, such as encouraging more lateral career moves, temporary assignments and other opportunities for development. Failing to do this may result in the province being unable to attract and retain talented employees.

Changes to organizational culture are required to ensure better service to British Columbians

In an organization with a citizen-centred culture, employees put the needs of citizens first. Employees are supported in this by leaders and managers who ensure that they have the resources and feedback they need and who encourage them to openly communicate and make suggestions for improvements. We found that employees within the British Columbia public service want to serve their clients, but they lack the support they need to do this efficiently and effectively.

Key Results from Our Survey

Strengths to Build Upon	Areas of Concern
Of British Columbia public service employees...	
• about 75% believe employees focus on client's needs and do more than they are required to do in order to help clients • 69% feel comfortable questioning their co-workers about policy or practice, but only 53% feel as comfortable with their supervisors	• only 33% believe they can get the information they need from another department within their ministry, and only 20% believe they can access this information from another ministry • only 41% have received client service training • only 31% believe their senior managers will not criticize or penalize employees for questioning policy or practice • only 27% believe they receive recognition for high-quality client service

Although 75% of the province's public service believe employees focus on the needs of their clients, many do not believe they have the support they need from their leaders to serve their clients effectively. They report having the tools but not the staff they require or the recognition they deserve for providing good service. Only about 40% have received client service training or believe there are enough opportunities for them to improve their skills in their current job. As well, while 69% of employees said they felt comfortable questioning their co-workers about policy or practice, only 53% feel the same about their direct manager and only 31% said they trusted senior management not to criticize or penalize them for doing this. As I mentioned previously, this lack of trust in senior management is pervasive throughout our findings and is of fundamental concern to me. Employees are not likely to suggest improvements or take reasonable risks if successes are unrewarded and mistakes are punished.

Since many of government's goals are carried out by more than one agency, open communication is critical to a well-performing government. Unfortunately, British Columbia's public service employees do not believe there is open communication in their workplaces. Although half of employees are satisfied with their ability to get the information they need from within their department to do their job well, only one-third believe that they can get this information from another department within their ministry. Fewer still—20%—believe they can access this information from a different ministry.

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Areas of Concern

- only 33% believe they can get the information they need from another department within their ministry; and only 20% believe they can access this information from another ministry
- only 41% have received client service training
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Better measurement and reporting are essential to ensure better service quality

For many years now, our Office has been encouraging government to establish better performance management and reporting. We do this because we believe better measuring and reporting on performance will lead to better governance and management of taxpayer funds and higher public confidence. Measuring service quality, the work environment and the linkages between them will help government make informed decisions regarding its programs and practices.

Monitoring and reporting on service quality and the state of the work environment is done inconsistently across the ministries, and is generally insufficient to tell government whether citizens are satisfied with the services they receive and whether the work environment in the public service is healthy and supportive of government's strategies and goals. As a result, ministries cannot direct their resources more effectively to target priority areas and close the gap between expectations and service levels. And without this information, ministries cannot fulfill their obligations to account for their performance to the Legislative Assembly and the public.

Most ministries do not monitor client satisfaction or the quality or sustainability of their work environments, and virtually no ministries understand the linkages between their work environments and the quality of service they provide their clients. Understanding these linkages would help ministries better understand which work environment improvements would have the greatest impact on service quality.

In closing, I wish to acknowledge and thank the many individuals across government who freely shared their views with us and provided us with the information and explanations we needed to complete our work.

Our own work environment survey revealed similar issues

I conducted a comparable survey of the work environment in my own office in the summer of 2000. Many of the issues facing the public service are also evident in my Office. We have made a number of changes to improve our environment and we plan to redo the survey in the summer of 2002 to assess our progress. We will report our survey results and our progress in our annual service reports.

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our recommendations

1. *We recommend that the British Columbia government develop and implement a strategy for managing its human resources to ensure the effective delivery of services into the future. This strategy should come after government has established its goals and objectives and determined what core functions and processes are critical to achieving them. The strategy should identify:*
   - *the shift in organizational culture required to meet these goals and objectives;*
   - *the competencies required to deliver these goals and objectives;*
   - *the leadership competencies required for future executive positions to be used as a basis for recruiting and developing current and potential leaders;*
   - *plans to manage the potential gaps and risks in retaining these competencies in government (e.g., maintaining corporate memory through early retirement and severance programs);*
   - *plans to address training and development of employees for the future;*
   - *plans to recruit people with the necessary competencies; and*
   - *a performance management framework that rewards behaviours critical to government's success and supports service improvement and accountability.*

   Employees across government should be notified of this strategy once it is developed and kept informed of government's progress in implementing it. The ministries should create similar plans for managing the human resources within their organizations that are linked to the government-wide strategy.

2. *We recommend that the British Columbia government develop a comprehensive transition plan for implementing the significant changes that have arisen as a result of budget cutbacks and refocusing on core services. The way in which the current downsizing is handled will have a significant impact on the reputation of the public service as an employer, not only affecting its ability to recruit in the future, but also its ability to retain the valued employees who are left. This risk should be managed strategically as part of the public service renewal initiative.*

3. ***We recommend that the Public Service Employee Relations Commission measure government-wide performance on the work environment on a consistent, regular basis and report on it as an important element of organizational capacity through annual service reports to the Legislative Assembly. Ministries should similarly monitor and report on their work environments. The work environment study completed as part of this audit provides the public service with a comprehensive database on the work environment and can be used as a benchmark for future monitoring.***
4. ***We recommend that the Public Service Employee Relations Commission and the ministries establish service standards, measure their performance against these standards and report through to the Legislative Assembly.***

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detailed report

introduction

The provincial government provides British Columbians with a wide range of services, such as:

- protecting children who are at risk;
- maintaining and protecting provincial parks;
- protecting drinking water;
- educating our children;
- ensuring that restaurants are sanitary and safe;
- protecting forests from disease and fire; and
- collecting taxes to ensure all of the above services can be provided.

The public values these services and expects them to be delivered efficiently and effectively. In fact, the public expects the quality of these services to be equal to those provided by the private sector. Citizens First, a national study conducted by the Public Sector Service Delivery Council and IPAC (The Institute of Public Administration of Canada) has shown that the majority of British Columbians recognize that while government has a more difficult task than the private sector in providing services, they still expect government's level of service to be at least as good or better than the private sector's.[4]

The level of service required to meet government's goals and to satisfy British Columbians requires a highly competent and committed public service. Provincial government services are delivered by about 38,000 public service employees across British Columbia.[5] To meet the demands placed upon it, the public service requires a strong work environment where they are supported by leaders who ensure staff have the resources they need, the recognition they deserve and the opportunities they require to continually improve their skills and advance their careers. Only in this type of work environment will employees be able to meet government's goals and deliver the services citizens need in an efficient and cost-effective manner.

In the remainder of this section we outline the challenges faced by the public service in delivering quality services to British Columbians and then we describe four essential elements we believe are needed to create a strong public service. We conclude this section by explaining that we compared our survey results to other Canadian organizations.

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[4] Spears, George and Kasia Seydegart of Erin Research Inc. *Citizens First 2000*. For the Public Sector Service Delivery Council and the Institute of Public Administration of Canada. 2001.

[5] This number is based on those employed by ministries only. Source: Estimates and Supplement to the Estimates, Fiscal Year Ending March 31, 2002.

The public service faces challenges in delivering quality services

In the last decade, the British Columbia public service has experienced a number of pressures that have affected the work environment and, therefore, the ability of the public service to deliver efficient and cost-effective services to the citizens of British Columbia. Under the current core review process and with the expected large budget cutbacks and corresponding decreases in staff, these challenges are likely to continue and perhaps even be intensified over the next few years.

It should be noted that the trends and challenges described in this section are widespread and are not, except in a few cases noted, unique to the British Columbia public service.

Today's employees in both private and public sectors are less committed to their employers and demand a better balance between work and personal life than before

Today's employees are less committed to their employers than they once were. They do not expect to stay with the same employer for their entire career. A study in 2000 by Watson Wyatt, a global human resources consulting firm, found that only 49% of Canadians are committed to remaining with their present employer.[6]

Today's younger employees are also more independent than previous generations. The traditional, paternalistic hierarchy in which decisions are made for employees without their input is no longer accepted by today's educated and independent workforce. They are not satisfied with mere involvement; they demand to be partners, and this requires open and honest communication at all times.[7]

Today's workforce also wants a better balance between work and personal life. Younger workers, in particular, do not attribute as much importance to work as their older counterparts did. Over the last 20 years, the amount of time we spend working in a year has increased by about 163 hours and leisure has declined by one-third. Employees are starting to rebel against this trend and demand a better balance.[8]

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[6] Izzo, John B. and Pam Withers. *Values Shift: The New Work Ethic & What it Means for Business.* Prentice Hall Canada, 2000.

[7] Ibid, 2000, p.126.

[8] Ibid, 2000, p.55.

Rapid technological change and the global economy have put pressure on all work environments, including the public sector

Rapid technological change has also had an impact on the work environment. It has transformed the work we do and the way we do it, and has demanded a change in the skill sets of public service employees. While electronic service delivery opportunities have made it easier to interact with citizens efficiently, they have also created some challenges in meeting the public's increasing expectations. Because more services can be provided electronically 24 hours a day—citizens have grown to expect this level of service in almost every area. Governments are therefore having to invest in the technology and systems to make such service possible.

Another pressure on the work environment is the expanded global economy, which has raised competitive standards for efficiency, productivity and quality in both the private and public sectors.[9] The result is the need for greater cooperation between different levels of government, often requiring collaborative responses to policy development and service delivery.

Public service delivery receives intense public scrutiny

Public servants today are faced with delivering services in an atmosphere of intense scrutiny—where every mistake may end up being described in detail in the daily newspapers. One rarely hears about the good service provided every day to the majority of the public, but everyone hears about blunders. In this environment, employees may become risk averse, afraid of having their failures used against them rather than used as learning opportunities. This environment has an impact on how employees perceive themselves. A survey of the federal public service found that 77% of public servants believe that many members of the general public stereotype them as being lazy and uncaring, but only 17% of the general public actually hold this view.[10]

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[9] McMullen, Kathryn. "Restructuring Government: Human Resource Issues at the Workplace Level." Canadian Policy Research Networks. Prepared for PUMA Activity Meeting Human Resource Management. June 25-26, 1998.

[10] Kernaghan, Kenneth. *Rediscovering Public Service: Recognizing the Value of an Essential Institution.* The Institute of Public Administration of Canada.

Public service employees must balance the interests of their clients and the general public

The public service has both direct clients—recipients of a service—and indirect clients—the general public. Public servants need to balance the interests of these two groups. Sometimes the interests of the direct client may be sacrificed for the public interest, as in the case of a recipient of a tax audit. This makes providing quality service in the public sector more complex than in the private sector. For example, when citizens want a permit to build on their own property they want fast service, but when their neighbour wants to build, they want slow, careful "due process" that takes into account the impact on their own property interests.

Downsizing and restructuring put stress on the work environment

Fiscal pressures have profound and widespread impacts on the work environment. Currently, to meet their goal of balancing the budget by 2003/04, the government is asking all ministries (with the exception of the Health and Education ministries) to look at reducing their budgets by 20-50% over the next three years. This is expected to result in staff reductions of between about 8,000 and 11,000 employees (23-33% of the current workforce). The response to the provincial government's budget deficit of 1996 was also budget cuts, which led to lost experience and lost corporate memory. During 1997, 1,697 employees left the public service, resulting in the loss of more than 31,000 years of knowledge and experience.

Downsizing often means employees are asked to do more but with fewer resources. Frequently, this means working longer hours, which in turn decreases morale and increases stress, employee burnout and fatigue. Studies have shown that downsizing reduces commitment and trust among the employees who remain.[11] Our survey found that employees who had experienced a reduction in their budgets or in the number of employees in their workplace were also less satisfied with all aspects of their work environment as compared with employees who had not experienced such reductions.

The public service is increasingly being asked to do knowledge-based work

There has been a general shift in the type of work that public servants do, away from delivering services directly and towards managing service contracts, recommending policies and establishing guidelines. More and more, government services are knowledge-based, requiring a significant body of knowledge and technical expertise. This shift towards knowledge-based employment is a global trend across nations and industries. As Stephen Covey, a well-known management theorist said, "Two-thirds of value added of all goods and services today come from knowledge work. Just twenty years ago, it was less than one-third. We are in a major revolution."[12] Training, organizational learning and professional development have become increasingly important. To keep up, employees need to be continuously learning. Employers who do not encourage their employees to upgrade their skills, may find declining performance, high turnover and increasingly dissatisfied clients.

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[11] Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* Canadian Policy Research Networks. Study No. W/05, 2001. www.cprn.org; Aon Consulting. "Canada@Work™," 2000.

The public workforce is aging and approaching retirement

The demographic profile of British Columbia's public service is also changing. Our survey found that about 20% of current public service employees and 30% of managers plan to retire by 2006 (Exhibit 1). With the early retirement packages currently being offered to employees affected by downsizing, we believe that many of these employees will retire sooner

Exhibit 1

British Columbia Public Service Employees Planning to Retire by 2006

Occupation Category	Percentage (%)	Total Number
Senior Managers	32	301
Managers	27	666
Professionals	18	1,244
Semi-Professionals and Technicians	18	967
Supervisory Clerical and Services	22	328
Administrative and Senior Clerical	20	407
Clerical Workers	16	955
Service Occupations	15	280
Trades, Manufacturing, Processing and Manual Workers	29	103
Total Employees	19	5,247*
*Numbers do not add due to rounding.		

Source: Office of the Auditor General 2000 Work Environment Survey

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[12] Covey, Stephen. *Leadership is a Choice, Not a Position*. From a pre-release draft excerpt. October 2001.

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Total Employees	**19**	**5,247***

*Numbers do not add due to rounding.

Source: Office of the Auditor General 2000 Work Environment Survey than 2006 and the total number of them who choose to retire will also increase. Replacing some of these workers in the future will be challenging. The provincial public service is already having problems recruiting employees in certain skilled occupations such as nurses, information systems technicians and accountants.

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[12] Covey, Stephen. *Leadership is a Choice, Not a Position.* From a pre-release draft excerpt. October 2001.

In theory, the public service should have no problem competing with the private sector in at least one area: providing meaningful and intellectually challenging work. As noted by John Izzo and Pam Withers, authors of *Values Shift*, today's workers are looking to work for organizations that serve a noble cause.[13] They yearn for an employer they can trust, one that is open and honest and lives by a code of ethics. Public service has long been viewed as having special qualities and as presenting notable opportunities for contributing to society. Indeed, serving the public has always been one of the key attractions of a career in the public service. The public service also offers employees a variety of work options that provide intellectually challenging work.

The reality, however, is that the public service appears to be having trouble attracting the next generation. At the time of our survey, only 5% of regular employees in British Columbia's public service were under the age of 30. Part of the recruitment problem may be that government has not been able to match the high salaries and creative benefits that the private sector can offer. Hiring in the public service is also more time consuming, costly and cumbersome than in the private sector. Our survey found that one in four employees were involved in staffing positions in the past year. But despite this large time investment, those employees are not convinced they are getting the best result. Just over half think the process is fair and only 43% think the process is timely or effective at identifying the most qualified person. Since our survey, the position of a Merit Commissioner was appointed to monitor public service appointments to ensure application of the merit principle. This may help improve employee perceptions about the fairness of the recruitment process, but further changes will be needed to make it more efficient. PSERC is currently leading an initiative designed to improve the efficiency and effectiveness of a number of human resource practices, including recruitment.

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[13] Izzo, John B. and Pam Withers. *Values Shift: The New Work Ethic & What it Means for Business*. Prentice Hall Canada, 2000.

Retaining younger employees is also a challenge for the province's public service. Our survey found that public service employees under 30 are less engaged than the average employee. The perceived bureaucratic, slow-paced and hierarchical nature of the public service is unattractive to today's technologically savvy workforce more accustomed to a fast-paced and continuously changing world. As well, a decade of cutbacks, restructuring, public criticism and political controversies has left the impression that work in the public service offers little reward, only stress. Indeed, research sponsored by PSERC in 2000 found that the public saw public sector employment as "stifling, frustrating, bureaucratic and limiting."

Public service renewal has become a priority for public sector managers in many jurisdictions, including British Columbia

As a response to all of these challenges, renewing the public service has become a priority for public sector managers in many jurisdictions. The 2000 biennial survey of senior public servants across Canada, sponsored by the Institute of Public Administration of Canada (IPAC), found that the chief priority for public sector leaders was "renewing the human resource dimension of the public sector."[14] Many provinces and other countries have initiatives underway to do this. Generally, these initiatives are attempting to improve client service through improved information technology and integrated service delivery. These efforts are sometimes paired with initiatives to recognize the value of the public service and new systems for rewards and recognition.[15]

In the summer of 2001, PSERC launched a project to renew British Columbia's public service. This initiative involves evaluating the state of the public service and producing a report for action by April 30, 2002. The goal of the strategy is "to attract and retain a motivated and competent workforce to deliver a diverse range of high quality and cost-effective public services to the residents of the province." Given the downsizing the public service is currently undergoing, we expect it will be difficult to get the remaining workforce to buy into a renewal initiative. Nevertheless, we believe that this is an important initiative to address the challenges we have described here.

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[14] IPAC. "Deputy Ministers Focus on Human Resource Renewal Issues." *Public Sector Management*. Volume 12, Issue 1, 2001.

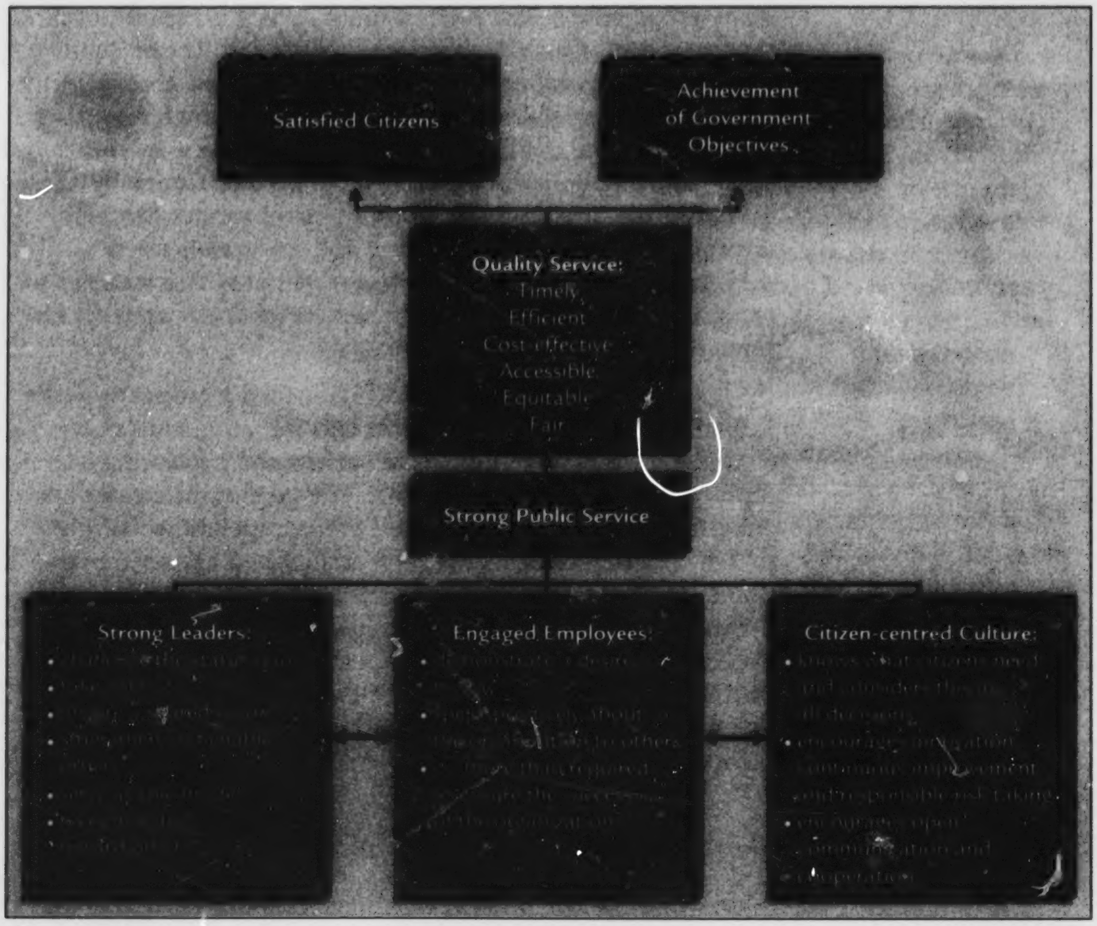
[15] See, for example, *Modernising Government (White Paper)*, UK Cabinet Office, March 1999.

Good government service requires a strong public service and good performance management

To meet its objectives and provide high-quality service to the citizens of British Columbia, the government must ensure that it has a strong public service. The work environment necessary to support this requires three essential elements: strong leaders, engaged employees, and a citizen-centred culture. All of these elements are closely interrelated (Exhibit 2). Effective leadership, for example, helps engage employees; and an organization's culture influences the behaviours of the leaders. To ensure that government understands whether its work environment can support the achievement of its goals,

Exhibit 2

Three essential elements for a strong public service



including providing quality service to British Columbians, a performance management system tied to government's goals and objectives is also required.

Strong leaders

A strong leadership system is essential to the effective management of government. The acquisition, development and retention of leadership talent are central to performance. They are part of an organization's culture and of its reward structure, and as such, they define the goals and objectives. The responsibility of leaders and senior managers for the performance of their employees and their organizations needs to be recognized. Leaders should be rewarded for high employee and organizational performance. Leadership is no longer associated with any particular rank. Rather, leaders can be found and encouraged at all levels of the organization. However, our survey questions regarding leadership focused only on employee opinions about ministry executives and about the person they report to directly.

Engaged employees

"Engagement," sometimes called "commitment," is the state of intellectual and emotional involvement in one's work and organization. Engaged employees are necessary in a well-performing public service.

Such employees exhibit three key behaviours:

- **Stay:** They demonstrate an intense desire to be a part of their organization, even though their employment term may not be "cradle to grave." They will stay, for example, even if offered slightly higher pay elsewhere.
- **Say:** They speak positively about their organization to friends, family, acquaintances, customers and other stakeholders. They recommend their organization as being a good place to work.
- **Serve:** They are proud of their work and their contribution to their organization's success. They work hard to improve themselves and increase their value to their employers, and they are productive.[16]

Research has shown that employee engagement is linked to good organizational performance and customer satisfaction. For example, an extensive research project conducted by Gallup found that businesses with the most engaged employees enjoyed 29% higher revenue, were 50% more likely to boast above-average customer loyalty, and were 44% more likely to turn in above-average profits.[17] In the private sector, research has shown that having engaged employees is linked to loyal customers, which in turn is associated with increased profitability. In the public service, client satisfaction is linked to citizens who feel more positive about the value of government.[18] As part of the analysis of our survey findings, we were able to measure the overall engagement level of the British Columbia public service, and, through modeling, examine the work environment factors that provide the greatest opportunity for improving the current level. (For more on this, see Appendix B.)

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[16] Hewitt Associates.

A citizen-centred culture

Organizational culture can be defined as the dominant values of an organization. It is about how things are really done in an organization and can be defined by where, on a continuum, it stands on a number of different dimensions. What is most important: Process or results? The job or the people doing it? Is the organization closed or open to new people? Is it flexible? Does control rest with individuals or with systems?

In British Columbia's public service the culture should, in our view, be citizen-centred. That is, employees should highly value citizen interests and act on new ways to make service better for their clients. A successful citizen-centred culture is one that empowers people, that encourages them to be innovative and to communicate openly, and that focuses on satisfying, to the extent possible, both clients and the general public, through continuous improvement.

Good performance management

"Performance management" is the use of performance information to set goals and objectives, allocate resources, confirm or change direction to meet these goals and report on the success in meeting them. A good performance management system includes all critical aspects of an organization's performance. For our purposes, however, we only looked at whether government was measuring and reporting on the quality of service delivery, the state of the work environment and the linkages between these two. Since government's ability to meet its goals and deliver high quality service to British

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[17] Izzo, John B. and Pam Withers. *Values Shift: The New Work Ethic & What it Means for Business.* Prentice Hall Canada, 2000.

[18] Communication Canada. *Listening to Canadians: Communications Survey.* 2000 and Spring 2001.

Columbians requires a strong public service, we believe that it would benefit from understanding how changes in the work environment affect its performance. We also believe that reporting its performance will increase the level of confidence British Columbians have in their government.

We compared our survey results to others

As discussed earlier, the findings and conclusions in this report are primarily based on the results of a survey we conducted in 2000/2001 of employees in government ministries. We compared our survey findings to a database developed by Hewitt Associates, an international human resource consulting firm, as part of its work with the *Globe & Mail Report on Business Magazine* to identify annually the "Best Companies to Work for in Canada." Companies voluntarily participate in this process in hope of acquiring a competitive advantage in their recruiting. They have recognized that attracting and retaining talented employees is both critical to their performance and becoming more difficult.

For the 2002 report, Hewitt selected the top 50 companies through a rigorous assessment process that included an employee survey. We used this same survey, among others, in developing our own work environment survey, and so are able to compare many of our results (for the British Columbia public service) to the results of the companies that made it into the top 50 of the organizations Hewitt examined for 2002. We have chosen to compare British Columbia's results to these organizations because we believe that these are the companies the government has to compete against in attracting and retaining talented employees. As well, since the government has stated that it wants to be an "employer of choice," it makes sense for it to aim high rather than low. Moreover, the benchmark is not static but is instead on the rise. The overall engagement score for the top 50 companies was 79% in 2002, while the score for the top 35 was 77% in 2001.

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stronger leadership is required to ensure the delivery of high quality service to British Columbians

Leadership involves directing, influencing and encouraging people. "Leadership" should not be confused with "management." A good manager is not necessarily a good leader or visa versa. Managers operate within the here and now, ensuring that the organization operates efficiently and effectively according to the goals, objectives and principles set by the leaders. Leaders establish a vision, then inspire, coach and enable their employees to achieve it. Both roles need to be performed well in order for the government to be successful in the ever changing and challenging environment in which it operates.

In the public sector, good leadership is especially critical for establishing and maintaining effective government services. (An example of what good leadership can achieve is summarized in the sidebar.) The complex economic, social and environmental objectives of government make leading more complicated than in the private sector (where increasing profit for the shareholders is the overriding objective). Effective leadership also is critical in attracting and retaining employees. A recent study in British Columbia found that individuals who had terminated their employment with the provincial public service most commonly gave poor leadership or management as their reason for leaving.

Clearly, acquiring, developing and keeping talented leaders is central to maintaining and improving government performance in the future. In a hierarchical organization such as government, most executives are recruited from the senior manager ranks below. In British Columbia's public service, however, these managers are about the same age as the executives and are therefore likely to retire at about the same time. According to our survey, about 30% of all government managers plan to retire by 2006—which suggests that government can expect to face some challenges in staffing its leadership positions in the near future. The number of managers actually leaving may well be higher as a result of the recent downsizing and early retirement packages offered.

In this section, we present our findings concerning leadership in the provincial government. A well performing organization encourages leadership at all levels in an

A practical example: How good leadership resulted in innovative, client-centred service

Good leadership was key to the success of a project in the Ministry of Social Development and Economic Security. The project, designed to provide better services to people receiving disability benefits, was a specialized office dedicated to serving these people. Both the senior manager responsible for the project and the project manager carrying it out demonstrated good leadership skills in making the project a success.

The senior manager trusted and supported the project manager using whatever means she deemed necessary to achieve the project goals. Empowered with this trust, the project manager was successful in sharing her vision of the project and inspiring her staff to help realize it.

The project manager and her staff used innovative ideas to ensure the office's success, while keeping the needs of their clients in the forefront. For example, staff conducted focus groups with clients, community groups, advocates and other staff to identify service delivery improvements. Rather than designing the office to meet the needs of the ministry, project staff designed the office to be more welcoming to its clients. Realizing the importance of having motivated employees, the project manager staffed the office with people who had both the skills and the desire to work with the disabled community. She also recognized the importance of learning and development for her staff, and created an ongoing training plan with guest speakers from various disability organizations.

The resulting office has been praised by clients, the community, advocates and public service colleagues government-wide. The staff involved were awarded the 2000 Bronze Public Service Award for Service to the Public by the Public Service Employee Relations Commission and the project manager won a 2000 Silver Public Service Award for leadership excellence.

organization. However, the findings in this audit are limited to formal, executive leadership. In the public service, executive leadership is made up of two main components: 1) ministers, elected by the public and appointed by the Premier to lead ministries; and 2) senior public servants—the deputy ministers, associate deputy ministers and assistant deputy ministers who report to the ministers. The survey results presented here relate only to senior public servants. We limited our review of political leaders to an analysis of turnover.

Government employees need clearer direction from their leaders

Clarity of purpose is one of the few constants across high-performing organizations.[19] It is the responsibility of senior leadership to create a common vision and goals so that everyone is working toward the same ends. This is particularly important during this time of considerable change in the public service. It is human nature to resist change when the reason for it is unclear and the vision of what it will look like is uncertain. In British Columbia's public service, leaders have much work to do to ensure their staff know the ministry's vision, mission and values and how their own work contributes to the achievement of these.

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[19] Popovich, Mark G. Editor. *Creating High-Performance Government Organizations.* San Francisco: Jossey-Bass. 1998.

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Key Survey Findings

Areas of Concern	**Areas Requiring Immediate Attention**
Of British Columbia public service employees . . .	
- only 42% have a clear understanding of the vision of their ministry - only 49% have a clear understanding of the mission of the ministry - only 44% have a clear understanding of the values of their ministry	- only 21% believe their ministry's executives provide clear direction for the future - only 27% are satisfied with their ministry's leadership or have confidence in the leadership abilities of the executives in their ministry - only 23% feel confident that their ministry is making the changes necessary to be successful in the future

The Budget Transparency and Accountability Act requires all ministries to produce service plans each year that outline a ministry's goals, objectives and performance measures. We found that most ministry service plans include a description of the ministry's vision, mission and values. Despite this, less than half of public service employees said they are clear as to what these were in their ministry. On the other hand, about 70% reported having a clear understanding of their department's goals and how their work contributes to these goals. Evidently, employees understand what their department is expected to achieve but not how that work contributes to the ministry's mission, vision and values. To be useful in motivating staff, leaders must ensure that staff both understand and support the ministry's vision, mission and value statements.

As we noted in the previous section, the public service today faces many changes—in technology, in values, in demographics. It is the responsibility of leaders to help their organizations respond to these changes. One mark of effective leaders is that they determine what the future is likely to be for their organization and what they need to do to move the organization in that new direction. Seventy-five percent of employees in our comparison group believe their executives provide clear direction (Exhibit 3). However, in British Columbia's public service, only 22% of employees believe this. Furthermore, only 27% of the province's government employees have confidence in the leadership ability of ministry executives. And even fewer—22%—feel confident that the ministry is making the changes necessary to be successful in the future.

Exhibit 3

A comparison between employee opinions in British Columbia's public service and 50 top Canadian companies

Public Service Work Environment Survey Question	BC Survey Result %	Comparison Group Result*
Executives in my ministry provide clear direction for the future	22	75
Executives in my ministry are open and honest in communication	25	72
I trust executives to balance the needs of employees with those of my ministry	17	70
Executives in my ministry are accessible to employees	29	70

*Average of 50 top Canadian companies in 2002

One partial explanation for this lack of clear direction may be the high turnover in the executive ranks. We found that over a four year period (between April 1, 1997 and March 31, 2001), there were about 3 different people in each cabinet minister position, over 2 in each deputy minister position and 1.5 in each assistant deputy minister position across government. This suggests that, on average, cabinet ministers and deputy ministers have less than two years to develop an understanding of their organization, establish a vision and begin to realize it before they move on to other things. Assistant deputy ministers have almost three years, which is still probably not enough time to set a new direction and mobilize staff to achieve it. In contrast, the typical CEO from our comparison group had been in their position for over 10 years.

Senior managers need to build trust with their staff

Key Survey Findings

Areas Requiring Immediate Attention

Of British Columbia public service employees...

- only 26% believe executives are open and honest in communication
- only 22% believe executives are aware of employees' concerns or care about their concerns
- only 17% trust executives to balance the needs of employees and employers

Key Survey Findings

Areas of Concern	Areas Requiring Immediate Attention
Of British Columbia public service employees . . .	
• only [illegible] have a clear understanding of the vision of their ministry • only [illegible] have a clear understanding of the mission of the ministry • only [illegible] have a clear understanding of the values of their ministry	• only 21% believe their ministry's executives provide clear direction for the future • only 27% are satisfied with their ministry's leadership or have confidence in the leadership abilities of the executives in their ministry • only 23% feel confident that their ministry is making the changes necessary to be successful in the future

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Exhibit 3

A comparison between employee opinions in British Columbia's public service and 50 top Canadian companies

Public Service Work Environment Survey Question	BC Survey Result %	Comparison Group Result*
Executives in my ministry provide clear direction for the future	22	75
Executives in my ministry are open and honest in communication	25	72
I trust executives to balance the needs of employees with those of my ministry	17	70
Executives in my ministry are accessible to employees	29	70

*Average of 50 top Canadian companies in 2002

One partial explanation for this lack of clear direction may be the high turnover in the executive ranks. We found that over a four year period (between April 1, 1997 and March 31, 2001), there were about 3 different people in each cabinet minister position, over 2 in each deputy minister position and 1.5 in each assistant deputy minister position across government. This suggests that, on average, cabinet ministers and deputy ministers have less than two years to develop an understanding of their organization, establish a vision and begin to realize it before they move on to other things. Assistant deputy ministers have almost three years, which is still probably not enough time to set a new direction and mobilize staff to achieve it. In contrast, the typical CEO from our comparison group had been in their position for over 10 years.

Senior managers need to build trust with their staff

Key Survey Findings

Areas Requiring Immediate Attention

Of British Columbia public service employees...

- only 26% believe executives are open and honest in communication
- only 22% believe executives are aware of employees' concerns or care about their concerns
- only 17% trust executives to balance the needs of employees and employers

Effective change requires strong leadership. When the environment changes, it is essential for leaders to mobilize their organization to adapt its behaviours. Without such adjustments, an organization cannot survive or prosper. Often the toughest task for leaders in effecting change is mobilizing people through the organization to do new work. People are often resistant to change, especially when it challenges deeply held beliefs and values.

Staff will especially resist change if they do not trust their leaders. Even though research has shown that employees are more likely to trust their immediate supervisors than their executives, it is up to leaders to foster trust within their organization.[20] Trust is important for efficient and effective government. If leaders do not trust their staff, they will compensate by creating numerous controls, such as constant supervision and sign-off requirements. If staff do not trust their leaders, they will thwart change and ultimately look elsewhere for employment.

Leaders build trust by telling employees what they know, what they don't know and what they know but can't say. They earn trust by doing what they say they will do, acting consistently, and admitting when they're wrong. Employees are more likely to trust those executives that are truly listening to them and respecting their concerns. On the other hand, trust can be destroyed quickly by violating expectations, and it can take years to rebuild.

Given the importance of trust, we are concerned that our survey found such a low level of trust among employees in their leadership. Public service employees do not trust what their leaders say and do not believe those leaders care about them. Only 25% of provincial employees—as compared to 72% of employees in our comparison group—believe executives in their ministry are open and honest in communication (Exhibit 3). Furthermore, just 22% believe that executives are aware of or care about employees' concerns. Even fewer—17%—trust executives to balance the needs of employees with those of the ministry. This last response is strikingly lower than the 70% of employees in our comparison group that reported the same (Exhibit 3).

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[20] Manchester Consulting. "How To Gain & Lose Employees' Trust."

Although our survey was not designed to answer *why* employees hold the views they hold, we can offer three possible answers. First, we believe that the high turnover in the executive positions may explain some of these views. Building trust can take time. It is very difficult for ministry executives to earn trust from their employees when they change positions every two to three years. Second, we believe that there may be insufficient opportunities for employees to interact with and build a relationship with their leaders. Only 29% of employees believe that their executives are accessible to them as compared to the 70% of employees in our comparison group (Exhibit 3). We also found that trust in ministry executives is higher in Victoria, where most executives are located, than elsewhere in the province. Third, we found that employees whose workplace had been recently downsized were also less satisfied with their leaders than those who had not experienced a recent reduction in staff. It is quite possible that the current climate of distrust in the public service is a result of the downsizing that occurred in the mid-nineties. Other research has shown that trust is at its lowest during times of downsizing.[21] As the British Columbia public service is currently facing a significant downsizing, we believe that provincial leaders will need to work harder than ever to build trust between themselves and their employees.

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[21] Izzo, John B. and Pam Withers. *Values Shift: The New Work Ethic & What it Means for Business.* Prentice Hall Canada, 2000; Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* Canadian Policy Research Networks. Study No. W/05, 2001. www.cprn.org; Aon Consulting. "Canada@Work™," 2000.

improvements in employee engagement are necessary to meet citizen service expectations

The Citizens First study found that British Columbians want timely service delivered by knowledgeable, competent and courteous staff.[22] We believe that British Columbians are more likely to receive the services they want if public servants are engaged in their work. Engaged employees are committed to their employer, are proud of where they work, and do more than they are required to do to ensure the success of the organization they work for.

As discussed earlier, research has shown that good organizational performance and customer satisfaction are linked to employee engagement (Appendix A). Engaged employees are more productive and more innovative. They also take ownership of results, thereby creating and sustaining a high-performing organization, and they provide superior customer service. Moreover, as Communication Canada found in a survey it conducted in 2000, Canadians who reported positive service experiences also tended to give the government a higher overall performance rating as compared to Canadians who had had more negative service experiences.[23]

On the other hand, employees who are not engaged are more likely to look for other employment and more likely to be absent from work due to illness or injury. Both turnover and absenteeism are costly. In British Columbia's ministries, direct costs of employee absences were about $37 million in 2000.[24] This figure does not include other possible indirect costs (such as productivity losses and the cost of procuring temporary help)—estimated to be as much as 10-25% more.[25]

Turnover has a wide range of associated costs. A conservative estimate is that replacing an employee costs anywhere from 30% to 150% of the employee's annual salary,[26] suggesting that turnover in British Columbia's ministries costs the province somewhere between $24 million and $120 million a year. (Again, these costs do not factor in productivity losses or effects on employee morale or client satisfaction.)

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[22] Spears, George and Kasia Seydegart of Erin Research Inc. *Citizens First 2000*. For the Public Sector Service Delivery Council and the Institute of Public Administration of Canada. 2001.

[23] Communication Canada. *Listening to Canadians: Communications Survey*. 2000 and Spring 2001.

[24] Public Service Employee Relations Commission Corporate Reporting. British Columbia Government. *PSA Employees STIIP Leave Summary Report by Government*. For Leaves Between 2000-Jan-01 and 2000-Dec-31.

[25] Gibson, Paul C. "Reducing Absenteeism Costs Though Effective Work/Life Programs." *ACA Journal* (Second Quarter 1999).

[26] Bernthal, Paul R. and Richard S. Wellins, DDI. "Retaining Talent: a Benchmarking Study." Issue 2 (Vol.3) HR Benchmark Group. February 2001; Thompson, Robert W. "When Bright Lights Beckon, Keeping Top Employees Requires Many Tools," HR Forum for the Society for Human Resource Management. 2001; Kimberley Bachmann. "Work-Life Balance: Measuring What Matters." Conference Board of Canada. December 2000.

Employees are more likely to be engaged when their work environment is healthy, supportive and enabling. Because engaged employees are so critical to the successful delivery of government programs and services, we set out to assess the level of engagement in the province's public service, and to find out what work environment factors affect engagement.

Increasing employee engagement will help the government provide quality service to British Columbians

The British Columbia public service received an engagement rating of 59% in our survey. Our comparison group, the top 50 organizations to work for in Canada, received a 79% rating.[27] In relation to these other organizations, we found that British Columbia's public service employees are relatively happy with their work, are just as committed to staying with their employer, but are not as proud of where they work. Only 43% would highly recommend their department to a friend seeking employment (as compared to 86% of employees in our comparison group). As well, only about half of British Columbia's public service employees are proud to tell others about where they work or think their department is a great place to work.

Research has shown that the level of employee engagement in an organization is more a factor of the quality of their work environment than of the employees' personal characteristics such as their gender.[28] Our survey found a similar pattern, with the notable exception of age. We found that employees in the British Columbia public service under the age of 30 are less engaged than other provincial employees. In our view, this finding should be a concern for government. As the public service ages, government will need to compete with other organizations, including ones in the private sector, to attract and retain the next generation.

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[27] Hewitt Associates. "The 50 Best Companies to Work For—in Canada." *Globe & Mail Report on Business Magazine.* January 2002.

[28] Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* The Canadian Policy Research Networks. Study No. W/05, 2001.

Engagement for British Columbia employees is tied to leadership, day-to-day work, individual recognition and career advancement opportunities

A number of factors drive employee engagement. Research has found that Canadian employees want:

- leaders they respect and trust,[29]
- interesting and meaningful work,[30]
- open and respectful relationships with their clients, co-workers and supervisors,
- opportunities to develop new skills and advance in their career,
- recognition for work well done,
- physical security,
- economic security, and
- a balance between work and home life.

The work environment factors that have the greatest impact on employee engagement vary from one organization to the next. From the results of our statistical modeling of survey results, we found that the greatest opportunity for improving the current engagement level in the British Columbia public service, came from improving employee satisfaction with the following:

1. leadership
2. day-to-day work
3. individual recognition
4. opportunities for career advancement.

It can be said that the current engagement level in the British Columbia public service is lower than it could be because leaders are not trusted and do not provide staff with sufficient recognition or opportunities for advancement. As we already discussed in the previous section, we believe that strengthening leadership provides the greatest opportunity for improving employee engagement. We will focus on the other three areas in this section.

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[29] Hewitt Associates.

[30] Lowe, Graham S. *The Quality of Work: A People-Centred Agenda*. Don Mills, Ontario: Oxford University Press, 2000; Canadian Policy Research Networks website: www.jobquality.ca.

Employee perceptions about their day-to-day work are generally positive, but there is room for improvement

Our findings place day-to-day work activities second only to leadership in significance in affecting employee engagement. Other research has found that employees often rank interesting, challenging and meaningful work as the most important factor in job satisfaction.[31] For example, the Gallup organization's research found that a key predictor of engagement was agreement with the sentence, "The mission statement of the company makes me feel my job is important."[32] When the 2000 PSERC survey asked employees to rank the employment features that attract them to an employer, doing intellectually challenging work was rated most highly with 80% of respondents saying that this was important.[33] Also important to employees was doing work that makes a difference (64% said that this was important).

In conducting our own survey, we looked to see whether employees are satisfied with their day-to-day work. We asked public servants whether their jobs are interesting and challenging, make good use of their knowledge and abilities, and contribute to the success of the ministry. We also asked employees whether they have the authority, tools and staff they need to do their work well and whether that work is distributed fairly in their workplaces.

Key Results from Our Survey

Modest Strengths to Build Upon		Areas Requiring Immediate Attention
Of British Columbia public service employees…		
• about 60% are satisfied with their day-to-day work, get personal satisfaction from their work and believe that their job is interesting and challenging	→	but only about 50% under the age of 30 agree with this
• 69% report that their job makes good use of their knowledge and abilities	→	but only 56% of those under the age of 30 agree with this

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[31] Various research: Bernthal, Paul R. and Richard S. Wellins. *Retaining Talent: A Benchmarking Study.* HR Benchmark Group. Issue 2 (Vol.3), Pittsburgh, Pennsylvania: Development Dimensions International. February 2001; Lowe, Graham S. *Employer of Choice? Workplace Innovation in Government.* A Synthesis Report, Canadian Policy Research Networks, 2001; Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* The Canadian Policy Research Networks. Study No. W/05, 2001; R.A. Malatest and Associates. *Opinion Research on Employment in the Public Service.* Prepared for the British Columbia Public Service Employee Relations Commission. February 2001.

[32] Buckingham, Marcus and Curt Coffman. *First, Break all The Rules.* New York: Simon & Schuster, 1999.

[33] RA Malatest and Associates Ltd. *Opinion Research on Employment in the Public Service.* Prepared for the British Columbia Public Service Employee Relations Commission. February 2001.

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[33] RA Malatest and Associates Ltd. *Opinion Research on Employment in the Public Service.* Prepared for the British Columbia Public Service Employee Relations Commission. February 2001.

We concluded that public service employees in British Columbia have a generally positive perception about their day-to-day work, but there is still room for improvement. For instance, while 59% of provincial employees said that they were satisfied with the quality of their day-to-day work, 83% of employees in our comparison group expressed satisfaction (Exhibit 4). The majority of provincial employees also reported that the work they do is interesting and challenging, provides them with personal satisfaction, makes good use of their knowledge and abilities, and makes an important contribution to the ministry's success. Although these results are positive, we believe this is an area that needs to be carefully monitored. As government moves away from delivering its own services to monitoring contracts with other agencies to deliver these services, it is important that it considers the impact of this change on employee engagement. To ensure that their employees are productive and motivated, managers should make sure that their staff feel engaged in the new roles they are being asked to take on.

Also of concern is that employees under 30 consistently reported having less satisfaction with their jobs than did employees from other age groups (Exhibit 5). This suggests that if changes are not made, government will be faced with significant challenges in the near future as it increasingly looks to attract and retain younger workers to replace the current aging workforce.

Exhibit 4

A comparison between employee opinions in British Columbia's public service and 50 top Canadian companies

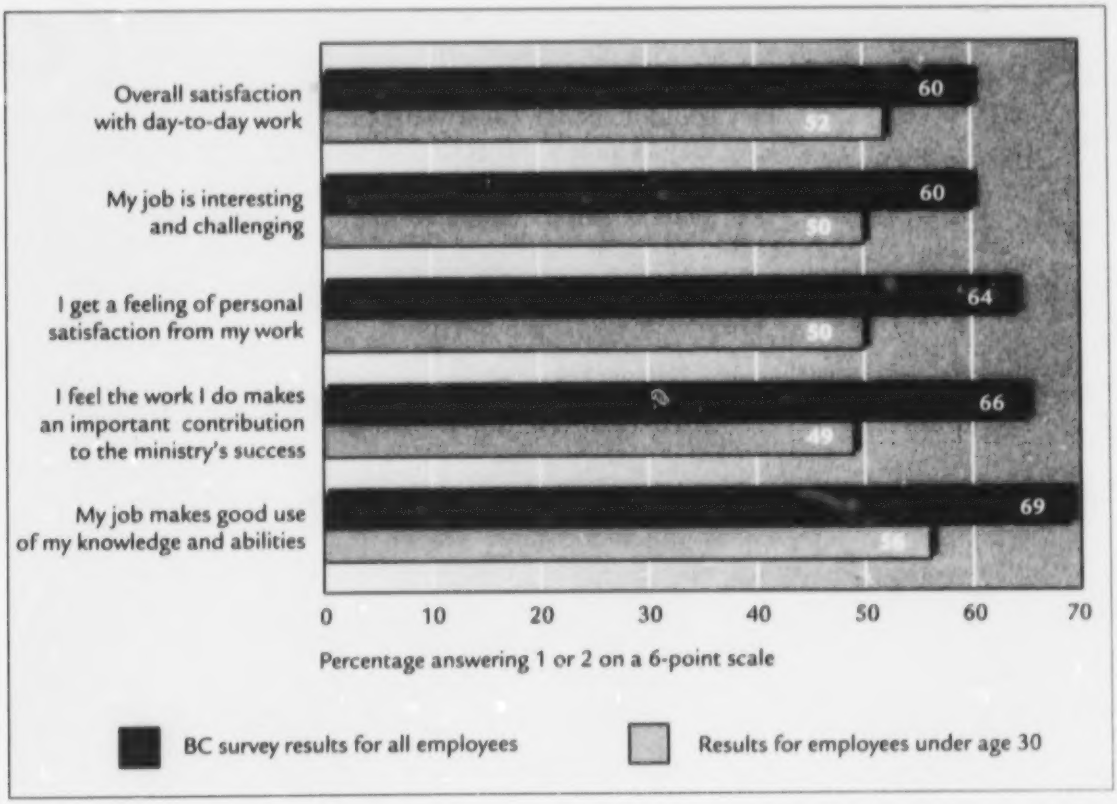
	BC Survey Result %	Comparison Group Result* %
Public Service Work Environment Survey Question		
Overall satisfaction with day-to-day work	59	83
My job makes good use of my knowledge and abilities	69	80
At work, I have the authority to make the decisions necessary to do my job well	62	79
At work, I have the tools (technology and equipment) I need to do my job well	67	80

*Average of 50 top Canadian companies in 2002

We also found that only 37% of provincial employees believe that work is distributed fairly in their workplace. Managers will need to address this issue if they want employees to trust them. When asked about whether they have the authority and resources they need to do their jobs well, most public service employees (about 65%) said that they have the authority and the tools but only 43% said that they had the staff. These findings do not compare favourably with our comparison group (Exhibit 4) or with a 1999 survey of the Canadian federal public service which found that 85% of employees there agreed that they have the necessary materials and equipment to do their job.[34] This is an area that should not be ignored. As government decides what core services it will continue to provide British Columbians, it will be important to ensure that there are adequate resources in place to deliver these services.

Exhibit 5

Satisfaction with day-to-day work: employees under age of 30 compared to employees age 30 or older



Source: Office of the Auditor General 2000 Work Environment Survey

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[34] Government of Canada. Public Service Employee Survey. 1999.

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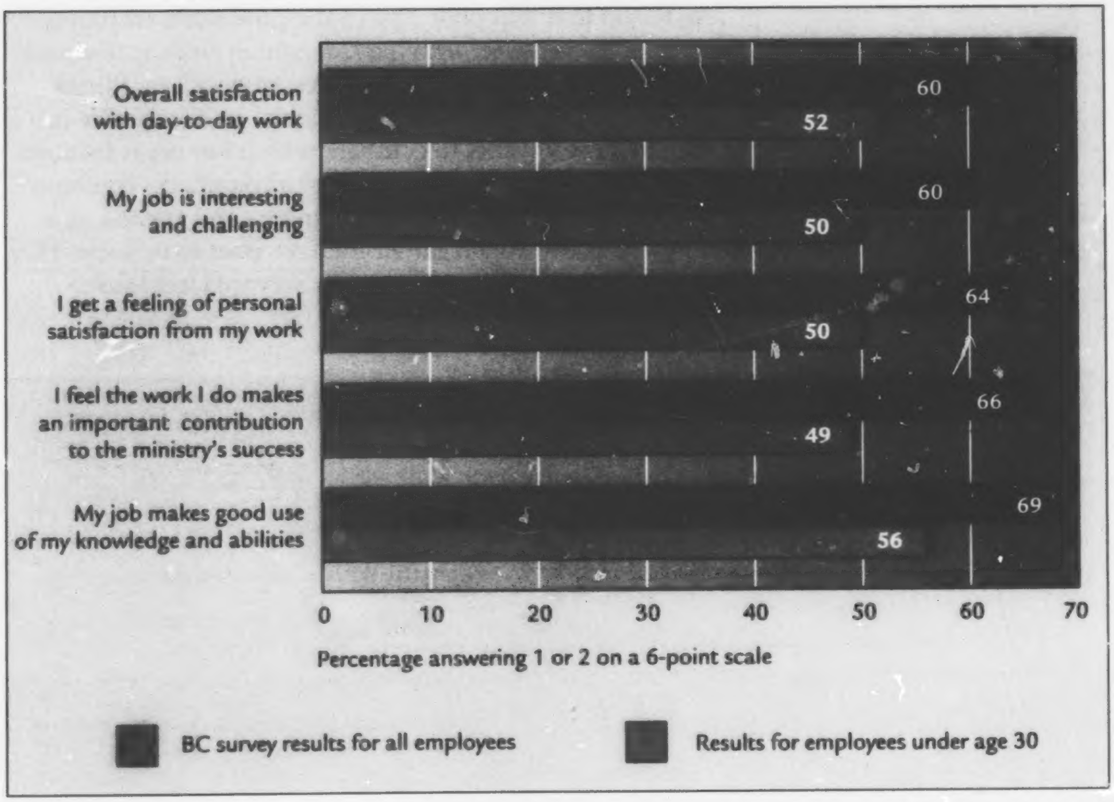

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[34] Government of Canada. Public Service Employee Survey. 1999.

Employees need more feedback and recognition

Research has shown that employees who are recognized for their performance take pride in their work and perform better than those not recognized. Recognition can help increase morale, productivity and employee retention, while decreasing stress, absenteeism, turnover and the related costs of all these. A 1998 survey of 2,000 employees in the U.S. found 82% agreeing that recognition motivates them to improve job performance.[35]

To be valued and useful, recognition should be timely, fair and specific. Employees need to receive feedback on their performance, and managers should ensure that they provide it on both a formal and an informal basis. Without feedback, employees cannot optimize their performance by knowing what strengths to build on and what weaknesses to manage.

We looked to see whether employees in British Columbia's public service receive positive recognition for the good work they do and sufficient feedback to allow them to know what aspects of their performance they can build on.

We found that that only 29% of the province's employees we surveyed are satisfied with the recognition and the feedback they receive. Even fewer—22%—receive feedback on things they could do better. Clearly, the provincial public service has a long way to go if it wants to compete with other organizations in this area (Exhibit 6). Given this lack of recognition—combined with years of being denigrated in the media and treated as a cost to be cut or controlled rather than an asset to be valued —it is not surprising that many public servants feel under-appreciated.

Key Results from Our Survey	
Areas of Concern	**Areas Requiring Immediate Attention**
Of British Columbia public service employees . . .	
▪ **49% agree that they are appreciated for the contribution they make to their department** ▪ **53% agree that, at work, their opinion counts, although only 44% of employees under 30 years old agreed**	▪ **29% are satisfied with their individual recognition** ▪ **29% believe that they receive feedback about the good work they have done and 22% receive feedback on the things they could do better** ▪ **20% agree that recognition and rewards are based on merit**

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[35] EIA International Panel Discussion. *Performance Measurement and Recognition—Achieving Results through Employees.* Friday, August 28, 1998.

It is also apparent that many government employees do not feel they are appreciated. Only about half believe that they are appreciated for their contribution, or that their opinions count. Of greater concern, we think, is that only 44% of employees under 30 believe that their opinion counts at work.

One finding that surprised us is that only 20% of employees believe that recognition and rewards in their workplace are based on merit. We believe that recognition and rewards based on anything other than merit will not be valued by employees and will cease to motivate staff. Making improvements in recognition—both in its frequency and in its fairness—provides an opportunity for leaders and managers to develop or regain the trust of their staff.

Managers need to take responsibility for giving day-to-day feedback and recognition

Government has established a number of programs and policies. Four programs are administered by PSERC: the employee recognition program, long service award dinners, staff appreciation awards, and public service awards. We found that British Columbia's efforts compare favourably to those in other provinces, many of which lack programs that allow government to recognize employee achievements in a relatively formal and public manner.

Exhibit 6

A comparison between employee opinions in British Columbia's public service and 50 top Canadian companies

	BC Survey Result %	Comparison Group Result* %
Public Service Work Environment Survey Question		
Overall satisfaction with individual recognition	29	70
I am appreciated for the contribution I make to my department	49	70
At work, my opinion counts	53	77

*Average of 50 top Canadian companies in 2002

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At work, my opinion counts	53	77

[a] Average of 50 top Canadian companies in 2002

The effectiveness of these programs is unclear. Certainly, they have been successful in recognizing a large number of employees. In 2000, for example, about 20% of British Columbia's public service employees received some form of formal recognition.[36] As well, award recipients we talked to commented that they enjoyed the experience and appreciated the opportunity for public recognition.

However, the use of these programs has been inconsistent across the ministries. The Ministry for Children and Families and the Ministry of Social Development and Economic Securities, for example, have made extensive use of the Public Service Award program, while three other large ministries—Transportation and Highways, Health, and Forests—have made very little use of it. This variation shows one limitation of such programs: government can make programs available, but cannot compel management to use them.

We encourage the government to continue to deliver these programs, but also to evaluate their effectiveness. At the same time, we want to emphasize that no reward or recognition program can take the place of the day-to-day recognition that managers should provide their staff immediately and informally. That type of recognition is generally more effective than any program can be for motivating staff. What reward and recognition programs can do is provide support to managers wishing to recognize their staff in a more public manner. However, to further encourage managers to recognize their staff, we believe that they should be evaluated on their ability to do so.

We would also like to emphasize the importance of recognition from political leaders. When political leaders acknowledge that the work of public service employees is valuable, it conveys a sense of pride to employees and confers public legitimacy, both of which enable employees to do their work more effectively.[37]

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[36] Public Service Employee Relations Commission 2000/2001 Annual Report.

[37] Bourgault, Jacques and Mary Gusella. "Performance, pride and recognition in the Canadian federal civil service." *International Institute of Administrative Sciences.* Vol. 67 No.1, March 2001.

Few employees are satisfied with their career advancement opportunities

Employee perceptions of the adequacy of career advancement opportunities is a key factor in attracting and retaining employees, especially for those under age 30. For example, research has indicated that 62% of Canadian employees under 30, versus 44% of employees over 45, believe that having good opportunities for career advancement is a very important factor in attracting them to a job.[38] The PSERC-commissioned survey conducted in 2000 found that a little over 60% of the employees in the British Columbia public service felt opportunities for advancement were important or very important to them in selecting an employer.[39] This same study also found that the lack of career advancement opportunities was one of the top five reasons employees cited for leaving government.

Satisfaction in career advancement is likely to be achieved through ensuring that interested staff have a career plan, supported by a learning plan and linked to their ministry's succession plan. With the increase in retirements and the weakening of employee commitment to employers, we would expect government to ensure that there are a reasonable number of qualified employees available to fill key positions.

Similar to the PSERC study, our survey found that only 28% of respondents were satisfied with career advancement opportunities. This finding does not compare favourably to the 69% of employees in 50 top Canadian companies who said

Key Survey Findings

Strengths to Build Upon	**Areas Requiring Immediate Attention**
Of British Columbia public service employees . . .	
- 65% agreed that they know how to find out what job advancement opportunities are open to them	- 28% are satisfied with their career advancement opportunities - 28% agreed that there are enough opportunities for them to advance in their career

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[38] Lowe, Graham S. "High Quality Work Environments as the Key to Attracting, Retaining and Developing Top Talent." Canadian Policy Research Networks. Presentation to the Recruiting in the Public Sector conference, October 2001, www.cprn.org; Canadian Policy Research Network's Quality of Employment Indicators website: www.jobquality.ca.

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Similar to the PSERC study, our survey found that only 28% of respondents were satisfied with career advancement opportunities. This finding does not compare favourably to the 69% of employees in 50 top Canadian companies who said

Key Survey Findings

Strengths to Build Upon	**Areas Requiring Immediate Attention**
Of British Columbia public service employees...	
▪ 65% agreed that they know how to find out what job advancement opportunities are open to them	▪ 28% are satisfied with their career advancement opportunities ▪ 28% agreed that there are enough opportunities for them to advance in their career

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[18] Lowe, Graham S. "High Quality Work Environments as the Key to Attracting, Retaining and Developing Top Talent." Canadian Policy Research Networks. Presentation to the Recruiting in the Public Sector conference, October 2001, www.cprn.org; Canadian Policy Research Network's Quality of Employment Indicators website: www.jobquality.ca

[19] RA Malatest and Associates Ltd. Opinion Research on Employment in the Public Service. Prepared for the British Columbia Public Service Relations Commission. February 2001.

that they were satisfied with their advancement opportunities. Clearly, government's recognition of the importance of succession planning[40] and its commitment to addressing this concern has not resulted in defined career paths for public service employees. Ensuring that interested employees establish a realistic career plan is a key part of planning for succession.

With 65% of our survey respondents saying that they know how to find out about job advancement opportunities, lack of awareness is not a key issue. More likely, provincial employees are simply frustrated with their lack of promotions. In a hierarchical organization such as the British Columbia government, career advancement is usually equated with promotion up the ranks, but this is not possible for the majority of employees. A 1999 British Columbia study found that only one-third of provincial employees received a promotion between 1994 and 1999.[41] Since promotions are so rare, it is important for government managers to work with their staff to create new and innovative ways to challenge them, possibly encouraging more lateral career moves, temporary assignments, special projects and other learning opportunities. Failing to do this may result in the province being unable to attract and retain talented employees.

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[40] Succession planning is the process of actively assessing and developing the organization's ability to sustain and replenish critical talent over time.

[41] BC Stats. *Succession Planning in the BC Government*. November 1999.

changes to culture are required to ensure better service to British Columbians

We believe British Columbia's public service culture should be citizen-centred. That is, we expect the cultural values within the public service to encourage employees to put the needs of their clients first, while still protecting the broader interests of the general public. An example of what a client-centred provincial government organization can achieve is summarized in the sidebar.

We looked at three areas we believe are a key part of a citizen-centred culture.

- **Client focus:** Do employees focus on their clients' needs and do the management systems support them in this? Do they have the tools and resources they need? Do they receive the training they need and the recognition they deserve for providing good service?
- **Continuous improvement:** Is continuous improvement part of the culture? Do employees feel comfortable suggesting improvements and questioning current practices? Are mistakes used as springboards for learning?
- **Open communication:** Is open communication a key part of the culture? Do managers communicate openly with their staff and do they encourage their staff to do the same?

A client-centred office saves British Columbia businesses time and costs

OneStop is an innovation that allows business owners to simultaneously register with multiple federal, provincial and municipal agencies using any of the 85 current OneStop workstations located throughout the province. A program of the Ministry of Small Business, Tourism and Culture, OneStop, has resulted in time and cost savings for British Columbia businesses, putting the needs of business owners first. The staff involved worked diligently with partner agencies to ensure the principles of OneStop were given priority within their offices. With a mandate to champion small business issues and reduce government red-tape, it is not surprising that the program has been able to create a client-centred culture.

OneStop's success is evident from a user survey which found that 84% of respondents rated OneStop as very good or excellent and 96% said that they would use the system again or recommend it to others. This program and the people involved have also won multiple service awards, including the 2000 Silver Public Service Award for Process Improvement and the Public Sector Information Technology Awards.

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Employees believe they are client-centred, but need more support to serve their clients effectively

The majority of British Columbia public servants believe that they are client-centred. About 75% believe that employees focus on clients' needs and do more than they are required to do in order to help clients, and 71% enjoy working for their clients.

Employees believe they are serving their clients despite the lack of support they receive in doing so. Although they know what standards they are expected to meet in serving clients, they lack the training they need to do their jobs well and the recognition they deserve for providing good service. Most employees have not received client service training. The proportion of employees who have received training varies considerably among ministries, from only 19% to 70%, but only 41% overall have ever received client service training. As well, only 47% of government employees believe that managers in their departments encourage employees to develop new skills to enhance their careers. Only 38% of provincial employees versus 79% of employees from our comparison group believe there are enough opportunities for them to improve their skills in their current job. Even fewer employees—31%—believe there are enough opportunities provided to them to develop the skills necessary to take on different roles versus the 70% of employees from our comparison group. Given the changing roles employees are being asked to take on, it will be important for managers to ensure that their staff have the training opportunities they need to be proficient in these new roles. Inadequately trained staff will lead to lower productivity and dissatisfied clients.

Key Survey Results

Strengths to Build Upon	**Areas of Concern**
Of British Columbia public service employees . . .	
▪ 75% believe employees focus on clients' needs ▪ 77% believe employees do more than they are required to do in order to help clients ▪ 75% believe employees know what standards they are expected to meet in serving clients	▪ only 27% (and only 19% of those under age 30) believe employees receive recognition for providing high-quality client service ▪ only 41% have received training in client service ▪ only 31% believe there are enough opportunities provided to them to develop the skills necessary to take on different roles

As mentioned earlier, most employees believe they have the tools they need but not the staff to do their jobs well. As well, only 27% reported that employees receive recognition for high-quality client service. As we discussed in the previous section, most employees do not believe they receive recognition for the things they do well. A lack of recognition for providing high-quality client service is one example of this broader deficiency.

Managers should do more to encourage employees to adopt the principles of continuous improvement

In all sectors, including government, the marketplace is demanding that organizations deliver services in a fast, friendly and flexible way. This requires a workforce that is not only allowed, but is enabled, encouraged and rewarded to give of its full creativity and talent.

We believe that striving for continuous improvement is a key part of a citizen-centred culture. A culture that values continuous improvement must include managers and leaders who are committed to it as an organizational goal, encouraging their staff to question current practices and communicate suggestions for improving the efficiency or effectiveness of the services they provide.

We found that a little more than half of British Columbia's public servants believe that the workplace culture encourages continuous improvement. Fifty-five percent believe that employees feel free to make suggestions to management for improvements or new services, and 58% believe their managers

Key Survey Findings

Of British Columbia public service employees . . .

Strengths to Build On	**Areas of Concern**	**Requiring Immediate Attention**
▪ 69% believe they can question policy or practice without being criticized or penalized by their **co-workers** ▪ 61% believe that mistakes are used for learning as opposed to people being penalized ▪ 57% believe their manager gives serious consideration to ideas and suggestions for improvement	▪ 53% believe they can question policy or practice without being criticized or penalized by the **person they report to** ▪ 55% believe employees freely make suggestions for improvements or new services and 51% believe that managers actually encourage employees to do so ▪ 52% believe their manager involves them in the decisions that affect them	▪ 31% believe they can question policy or practice without being criticized or penalized by **senior management** ▪ Only 48% under age 30 believe employees freely make suggestions for improvements or new services ▪ 38% believe there are sufficient opportunities for them to participate in decision-making

Employees believe they are client-centred, but need more support to serve their clients effectively

The majority of British Columbia public servants believe that they are client-centred. About 75% believe that employees focus on clients' needs and do more than they are required to do in order to help clients, and 71% enjoy working for their clients.

Employees believe they are serving their clients despite the lack of support they receive in doing so. Although they know what standards they are expected to meet in serving clients, they lack the training they need to do their jobs well and the recognition they deserve for providing good service. Most employees have not received client service training. The proportion of employees who have received training varies considerably among ministries, from only 19% to 70%, but only 41% overall have ever received client service training. As well, only 47% of government employees believe that managers in their departments encourage employees to develop new skills to enhance their careers. Only 38% of provincial employees versus 79% of employees from our comparison group believe there are enough opportunities for them to improve their skills in their current job. Even fewer employees—31%—believe there are enough opportunities provided to them to develop the skills necessary to take on different roles versus the 70% of employees from our comparison group. Given the changing roles employees are being asked to take on, it will be important for managers to ensure that their staff have the training opportunities they need to be proficient in these new roles. Inadequately trained staff will lead to lower productivity and dissatisfied clients.

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As mentioned earlier, most employees believe they have the tools they need but not the staff to do their jobs well. As well, only 27% reported that employees receive recognition for high-quality client service. As we discussed in the previous section, most employees do not believe they receive recognition for the things they do well. A lack of recognition for providing high-quality client service is one example of this broader deficiency.

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Key Survey Findings

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Of British Columbia public service employees . . .		
- 69% believe they can question policy or practice without being criticized or penalized by their **co-workers** - 61% believe that mistakes are used for learning as opposed to people being penalized - 57% believe their manager gives serious consideration to ideas and suggestions for improvement	- 53% believe they can question policy or practice without being criticized or penalized by the **person they report to** - 55% believe employees freely make suggestions for improvements or new services and 51% believe that managers actually encourage employees to do so - 52% believe their manager involves them in the decisions that affect them	- 31% believe they can question policy or practice without being criticized or penalized by **senior management** - Only 48% under age 30 believe employees freely make suggestions for improvements or new services - 38% believe there are sufficient opportunities for them to participate in decision-making

give serious consideration to these suggestions. As well, while more than two-thirds of employees feel comfortable questioning policy or practice with their co-workers, just over half feel comfortable doing so with their direct manager, and fewer than one-third of all employees and one-quarter of those under 30 trust senior management not to criticize or penalize them for doing this.

This lack of trust in senior managers, evident in our findings presented in the leadership section, is a key barrier to creating a culture of continuous improvement. The situation should be particularly troubling to the current government, since the success of its core review process requires employees to take a critical and fresh look at current programs and practices. Employees are not likely to do so if they believe their managers will penalize them.

Involving staff in decision-making is a key cultural characteristic of the best places to work. As we discussed earlier, today's employees want to have input into decision-making. Thus, if the public service wants to retain and attract talented employees, it will need to move toward consulting with them prior to making changes that will affect them. However, only 52% of provincial employees versus 78% of employees from our comparison group reported that their manager involves them in decisions that affect them, and 38% believe there are sufficient opportunities for them to participate in decision-making.

Continuous improvement calls for responsible risk-taking in a culture where mistakes are not only tolerated but seen as opportunities for learning and advancing. British Columbia's public service has room for improvement in this area. While 61% of provincial employees believe that mistakes are used for learning as opposed to penalizing people, 78% of employees from our comparison group reported the same.

Good performance and service requires better communication

Problems with communication have come up throughout this report. This is to be expected, since communication is closely tied to many other work environment factors such as leadership and employee satisfaction. A key part of leadership, for example, is communicating a vision and informing staff about changes that affect them. In a survey of senior business executives conducted by Andersen Consulting and the Economist Intelligence Unit, communication skills was rated as the most important management skill for the future.[42]

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[42] Economist Intelligence Unit and Andersen Consulting. "Building the High Performance Team: Vision 2010." 1998.

Key Survey Results

Areas of Concern

Of British Columbia public service employees:

- only 38% say they hear about important changes from the person they report to rather than from rumours
- only 44% of all employees (and 37% of those under age 30) believe employees communicate openly and honestly with management
- only 43% believe they get enough information about their program or department to know how they are doing
- only 33% believe they can get the information they need from another department within their ministry; and only 20% believe they can access this information from another ministry

According to research conducted by Canadian Policy Research Networks, communication was the factor that was most frequently cited by Canadians as needing to be changed to improve their employment relationships.[43] As we noted in the introduction to this report, today's workforce is demanding a greater say in the decisions that affect them. Key to meeting this demand is open and honest communication.

We found that British Columbia's public service does not encourage open communication. Only 26% of employees believe that executives in their ministry are open and honest in communication (a point we noted in the leadership section), and only 38% of employees believe that they hear about important changes from the person they report to rather than through the rumour mill. Perhaps, therefore, it is not surprising that only 44% reported that employees communicate openly and honestly to management. Continuous improvement is not likely to happen in a culture where information is not shared freely and where employees do not trust their leaders to tell them the truth.

Only 43% of employees agreed that they receive enough information about the performance of their program or department. Employees need to know how well their program or department is doing so that they can take pride in their accomplishments and make improvements where needed.

Implementing new ideas requires communication between departments within ministries and across ministries. However, we found that only 53% of employees believe that they can easily get the information they need to do their job well from the department where they work. Even fewer employees believe they can get information they need to do their jobs from other departments within their ministry (32%) and from

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[43] Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* Canadian Policy Research Networks. Study No. W/05, 2001.

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Implementing new ideas requires communication between departments within ministries and across ministries. However, we found that only 53% of employees believe that they can easily get the information they need to do their job well from the department where they work. Even fewer employees believe they can get information they need to do their jobs from other departments within their ministry (32%) and from other ministries (19%). Since many of government's goals are carried out by more than one government agency, it is critical that relevant information be shared between responsible parties. As citizens expect a more coordinated approach to service delivery, these obstacles will have to be overcome.

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[41] Lowe, Graham S. and Grant Schellenberg. *What's a Good Job? The Importance of Employment Relationships.* Canadian Policy Research Networks. Study No. W/05, 2001.

Making improvements in this area provides an opportunity for government's leaders to earn the trust and loyalty of their staff. Better communication does not have to be a high cost item. Today's vast communication technology can assist managers in ensuring staff are informed of how well their organization is performing and what changes they can expect in the near future. However, better communication is less about technology and more about managers taking the time necessary to share information with their staff in an open and honest manner.

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better measurement and reporting are essential to ensuring better service quality

The public expects government to make well-informed decisions, and to account for the result or effect of these decisions. In order for government to make informed decisions on matters that will impact service quality, it needs to know what service levels citizens expect, what level of service is currently being provided and what level of service it can afford to provide. Government should also understand how the current state of the work environment affects its ability to achieve its goals and objectives, including those related to service quality.

As government moves towards more comprehensive reporting of its planned and actual performance, as required by the Budget Transparency and Accountability Act, we believe that an important aspect of that performance is organizational capacity (the ability of an organization to maintain or improve on its results into the future). A key element of organizational capacity is the work environment. Understanding the linkages between the state of the work environment and the ability to meet its goals and deliver quality service to British Columbians will allow the government to make more informed decisions.

We looked to see whether the government in British Columbia is measuring and reporting on the quality of service delivery, the state of the work environment and the linkages between the two. In doing so, we recognized that, although many governments are reporting on service quality and the work environment separately, no government in Canada is measuring the linkages between the two. Doing so would put British Columbia at the forefront of performance management.

Monitoring and reporting on service quality needs improvement

We concluded that monitoring and reporting on service quality is done inconsistently across the ministries and is generally insufficient for letting government know whether its citizens are satisfied with the services they receive. Without such knowledge, government has also not been able to report this information to the Legislative Assembly and the public. As a result, legislators are being asked to make or support decisions without complete information.

No central organization is responsible for the level of service quality received by citizens. Rather, each ministry is independently responsible for the level and quality of service delivery it provides. We found that many other jurisdictions in Canada have service quality initiatives that are coordinated by a central agency (see sidebar for a few examples).

We looked at 2001/2004 ministry performance plans (to be referred to as "service plans" beginning in 2002/03) to see if they contained a commitment to providing and measuring service quality. According to the guidelines developed by Treasury Board Staff, ministry performance plans should include the ministry's mission, vision, values,

Canadian Jurisdictions with Service Quality Initiatives

Government of Alberta

The Service Excellence Framework was developed by a cross-government committee, with feedback from staff across government. The framework is used to build service excellence across government by providing ministries with a framework to improve service to clients. Each ministry is expected to establish their own service performance targets and benchmarks. The government has also set up a web site, called "Alberta Connects," which provides clients with regular features on major government initiatives as well as information on how to get more information on the government programs that are of concern to clients.

Government of Manitoba

The Manitoba Government has committed to providing the best possible service to the people of Manitoba by committing to providing efficient and effective services. It has committed to reducing program overlap and duplication between municipal and provincial governments; improving the quality of services through its Special Operating Agency, Service Manitoba; and reorganizing the government to better serve the public with a smaller government. Service Manitoba is an organization dedicated to helping departments provide better service to Manitobans. To this end, it provides a variety of free information and tools to departments, including workshops, consulting services and even funding for service improvement ideas.

Government of Ontario

The Ontario government has been restructuring over the past decade to become smaller and more focused with emphasis on better services at less cost to taxpayers. Under the lead of the Ontario Ministry of Consumer and Commercial Relations, the restructuring initiatives include the following three programs: 1) Service Ontario is a project that re-designs routine services for greater public choice and convenience; 2) Ontario Business Connects is the government's initiative to simplify and streamline the existing registration and reporting processes for Ontario businesses; and 3) Regional Service Delivery Restructuring Project provides the public with a wide range of general government information about all ministries at one location.

Government of New Brunswick

Service New Brunswick (SNB) is a Crown corporation with a mission to improve the delivery of government services to the public. SNB is the provincial government's chief provider of front-line services to the public. It offers convenient, one-stop shopping for customers of government services with a customer orientation and an aim to improve service delivery and convenience.

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goals, performance measures and targets.[44] We expected to see objectives, performance measures and targets related to service quality. We found that the majority of ministry plans (15 of the 20 we examined) committed the ministry to providing quality service to clients. Nine of these ministries plan to survey client satisfaction and report their performance. The Ministry of Education, for example, plans to measure public satisfaction with the K-12 education system. Some ministries have other service quality measures as well. The Attorney General, for example, plans to measure the percentage of court cases completed within eight months. Another nine ministries, however, did not indicate a plan to measure any aspect of service quality.

Government's new guidelines for ministry service plans places greater emphasis on providing service delivery measures, such as client satisfaction. As a result, we would expect ministry service plans to improve in this area.

Through its participation in IPAC's Citizens First survey of Canadians, the government of British Columbia has some information on what the citizens of the province think about services at all levels of government—federal, provincial and municipal. The survey found that British Columbia citizens rated government services in much the same way as Canadians did overall.[45] That is, 50% of British Columbians believe that governments have a more difficult task than the private sector, but 96% still expect government services to be delivered at similar or higher levels of quality. However, the citizens of British Columbia were less satisfied with their provincial government services than were citizens in other provinces. Provincial government services received a 50% satisfaction rating from citizens nationally but only 44% in British Columbia.

We support the government's participation in the Citizens First study, but we believe that the most useful measures of quality service are at the program level. Citizens First provides the British Columbia government with information on what its citizens believe about provincial government services in general and how they feel about certain specific services, such as provincial parks and hospitals. However, it is clear that when asked about service quality broadly, respondents may be influenced by negative stereotypes or bad-news stories reported in the media. And, when asked about a specific experience related to a particular program, respondents may rate their actual experience, not their impressions of government service in general. Consequently, to ensure that they are making the right decisions, program managers must ask clients about their specific experiences and what their priorities are. This will allow managers to allocate resources more effectively by targeting those areas. A number of tools are available to managers for surveying their clients, such as the Common Measurement Tool (see the sidebar).

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[44] Treasury Board Staff. "Guidelines for Ministry Service Plans 2002/03–2004/05." October 9, 2001.

[45] Citizens First 2000: British Columbia Summary Report, June 2001.

Better monitoring and reporting on the work environment would lead to better performance

As with service quality, we concluded that monitoring and reporting on the state of the work environment within the province's public service is done inconsistently across the ministries and is generally inadequate for letting government know whether the work environment is healthy and able to support achievement of government's goals. Without such knowledge, government has also not been able to report this information to the Legislative Assembly and the public. As a result, legislators are being asked to make decisions without knowing whether the work environment will support it in delivering the programs and services promised.

We found that measurement of the work environment within the British Columbia public service is ad hoc. No one organization is responsible for the condition of the work environment in the British Columbia public service. While PSERC is responsible for providing leadership and setting standards and policies, ministries are responsible for human resource management. For example, while PSERC (as the central personnel agency for government) gives direction and assistance to ministries and agencies and develops hiring standards and policies, ministries carry out the actual hiring.

The Common Measurement Tool

The Common Measurement Tool was developed by a team of federal, provincial, and municipal government executives and public sector survey experts under the guidance of the Canadian Centre for Management Development. The tool is a standard survey designed to ask customers about their views on the services they are receiving. The British Columbia government has negotiated a lease that allows unlimited use of this tool. A few ministries have already used it, and others are considering doing so. It is ready-made for public sector organizations, enabling them to compare their results to those of others using the same survey. We encourage the ministries to use this or similar tools to measure client satisfaction with their work.

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The Common Measurement Tool was developed by a team of federal, provincial, and municipal government executives and public sector survey experts under the guidance of the Canadian Centre for Management Development. The tool is a standard survey designed to ask customers about their views on the services they are receiving. The British Columbia government has negotiated a lease that allows unlimited use of this tool. A few ministries have already used it, and others are considering doing so. It is ready-made for public sector organizations, enabling them to compare their results to those of others using the same survey. We encourage the ministries to use this or similar tools to measure client satisfaction with their work.

We looked at the 2001/2004 ministry performance plans to see if they included a commitment to measuring and reporting on the state of the work environment. We noted that most ministries have included some performance measures related to the work environment, using, for example, measures that look at training, succession planning and the representation of employment equity groups within government staff. However, three ministries have no measures at all relating to the work environment, and most ministries have not committed to conducting a more comprehensive assessment of their work environments. Only four ministries, for example, plan to measure employee opinions or satisfaction with their work environment. Not surprisingly, none of the ministries have attempted to understand the relationship between the work environment and the ministry's overall performance. Making improvements in this area would put the British Columbia government at the forefront of performance reporting in Canada.

We also looked at PSERC's 2000/2001 annual report to see if it contained sufficient information on the overall state of the public service. Although the report contains interesting general information about the public service and the activities undertaken by the commission, it does not contain sufficient information for the reader to know the state of the work environment in British Columbia's public service or whether the work environment is supportive of delivering government's goals and objectives. In addition to our survey, PSERC has collected valuable information on employee satisfaction, work environment priorities, and the reasons why recently separated employees have left the public service through their own opinion research. Information from this research or our government-wide work environment survey can be used as a baseline for reporting on changes in the future.

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ministry response

The Public Service Employee Relations Commission (PSERC) agrees with the Office of the Auditor General (OAG), that the work environment is directly linked to the ability of the public service to deliver quality service. This has been most recently articulated through the Public Service Renewal Project, which has a mandate to:

> *"Rebuild and sustain a professional public service that can provide quality services to meet the needs of British Columbians."*

This means creating the appropriate work environment through a combination of exemplary leadership by management and effective people management strategies to enable the public service to excel in meeting current and future challenges. We understand that this will require a culture shift within the public service.

Below, are specific strategies the human resource management community is developing in concert with senior ministry managers. However, we also want to draw the parallels between the findings of this audit and the results from two key research initiatives that government has recently undertaken.

Complementary Research

Around the same time that the OAG was conducting its audit, PSERC co-ordinated a cross government survey, completed in March, 2001 by Malatest and Associates, an independent research company. Telephone surveys and focus groups were used to examine attraction, recruitment and retention issues, from the perspectives of current and former employees as well as from members of the public. The findings augmented the OAG results. It is gratifying to see how often the results of government's survey work were quoted in the OAG report.

In September 2001, government initiated the Public Service Renewal Project (Renewal), which is being conducted in a staged and sustained approach. The first Stage was completed in December 2001.

Government and the OAG are aligned in their common belief that improvements in employee engagement are necessary. A key element of the Renewal Project is promoting stakeholder involvement and employee engagement.

A series of focus groups—combining included and excluded employees from different jobs, levels, and ministries—were held in 8 regional centres across the province, to help identify and validate priority people management issues and strategies/solutions. Almost all ministry executive groups were consulted, as well as a group of young professionals. Further details of all the consultation groups are available in the Public Service Renewal Project Report on Stage One, on the www.pserc.gov.bc.ca web site.

A strategic feature of the project design is that these groups will continue to be consulted throughout the life of the project. The groups will help refine the development of strategies/solutions and provide input as they are piloted or implemented.

While not identical, there are strong parallels between the common issues identified through the Renewal consultations, and the opportunities for improvement as a result of the statistical modelling from the OAG's survey.

Opportunities for Improvement —OAG	Common Issues —Public Service Renewal
Leadership ▪ *Leaders have work to do to ensure their staff know the ministry's vision, mission and values and how their own work contributes to the achievement of these* ▪ *Acquiring, developing and keeping talented leaders is central to maintaining and improving government performance in the future*	Lack of Leadership ▪ *Managers lack leadership and communication skills* ▪ *The current system focuses on hiring and promoting 'technical' managers and not 'people' managers*
Day-to-Day work ▪ *59% employees vs 83% comparison group said they were satisfied with quality of day-to-day work* ▪ *37% employees believe that work is distributed fairly in their workplace*	Poor performance accountability ▪ *Inadequate recognition and incentive mechanisms for doing a good job* ▪ *Difficult performance issues in the workplace are not dealt with*
Individual recognition ▪ *29% employees vs 70% comparison group satisfied with individual recognition* ▪ *49% employees vs 70% comparison group feel appreciated for contribution they make to department* ▪ *53% employees vs 77% comparison group feels their opinion counts*	Inflexible and de-motivating workplace practices ▪ *Need to enhance flexible workplace practices* ▪ *Need to develop more responsive classification and staffing processes* ▪ *Need to develop market-based compensation mechanisms*

Opportunities for Improvement —OAG	Common Issues —Public Service Renewal
Opportunities for career advancement ▪ *28% employees vs 69% comparison group satisfied with career advancement opportunities*	Insufficient training and development ▪ *Lack of development opportunities and resources for training*

Public Service Renewal Objectives and Strategies/Solutions

The issues identified were summarized in themes that became target objectives—that with proper strategy development—will help renew the public service. The target objectives are:

- *Proactive and Visionary Leadership*
- *Performance-focused Workforce*
- *Flexible and motivating Work Environment*
- *Learning and Innovative Organization*

In validating these, two additional objectives were created to cover other important dimensions of people management:

- *Effective People Strategy*
- *Progressive Employee-Employer Relations.*

Associated with each objective are strategies. A list of the priority strategies and "quick wins" are listed here for information. Those interested in more details can find them in the Public Service Renewal Project Report on Stage One.

Priority Strategies:

- *Corporate Human Resource Plan*
- *Leadership in the New Era*
- *Performance Management Framework*
- *Corporate Training and Development Strategy*

"Quick Wins":

- *Executive Recruitment, Orientation and Development*
- *Competency Framework*
- *Simplify Staffing and Classification Processes*
- *Review Employee Recognition Programs*
- *Simplify and Decrease Human Resource Policies/Regulations*

The Renewal Project is currently in the second Stage of the project (January—June 2002), and is focussed on designing and piloting the strategies. The third and final Stage (June 2002 and onwards) will see the implementation of the strategies identified above.

PSERC has recognized that culture shifts require a planned approach and a long-term commitment to continuous improvement. Because of this, Stage Three will include the development of plans to identify progressive action, as well as ways to transform the activities of Public Service Renewal from a "project" to a long term integrated performance objective for government as a whole.

Specific Responses

This next section will focus on describing the key strategies that relate most specifically to the three recommendations made by the OAG. In addition, the employee engagement survey results were analyzed through a statistical modelling program. This identified the greatest opportunities for improvement. The specific strategies related to each of the four suggested areas of improvement are described below.

OAG Recommendation #1

PSERC agrees that there is a need to develop and implement a strategy for managing human resources to ensure the effective delivery of services into the future. The creation of a Corporate Human Resource Plan is a priority for Renewal.

The Plan will include the full list of strategies identified from the consultations and analysis that resulted in the recommendations contained in our stage one report, as noted above. Additional strategies will be included through close consultation with the human resource management community and senior ministry managers.

Each strategy will have an accompanying Project Charter that will define the scope, resources, outcomes, accountabilities, stakeholders, and performance measures. In addition, the Corporate Plan will provide direction and assistance to each ministry for the purposes of informing each of the ministry-based human resource plans that are part of their respective Service Plans.

OAG Recommendation #2

PSERC agrees that a comprehensive change management plan for implementing workforce adjustment will affect the reputation of the public service and impact its ability to retain current employees and attract future ones. A comprehensive Workforce Adjustment Strategy was developed which operates on the principles of fairness, placements made where possible, availability of voluntary departure options, and *considerable transition assistance to those employees faced with layoff. The Strategy was developed with a view to mitigating the potential negative impacts on all employees and thereby minimizing the potential for a distributed impact upon the Public Service Renewal Project.*

The Workforce Adjustment Strategy is aimed at aligning provincial government staff resources with core service needs, re-profiling the public service, and reducing long-term costs to help reduce the province's structural deficit. The Workforce Adjustment Strategy maximizes options and transition assistance for eligible employees who wish to leave the public service voluntarily, while also minimizing layoffs. A notable outcome has been the overwhelming uptake on both the Early Retirement Incentive Program and the Voluntary Departure Program.

OAG Recommendation #3

PSERC agrees there is a need to measure improvements in the work environment. The strategies proposed under the Renewal Project are intended to create a more positive and supportive work environment for public service employees. It is important, both for current and future employees to know that government is working to make improvements in this area and whether the efforts have been effective.

As noted under Recommendation #1, on the development of a Corporate Human Resource Plan, each Project Charter will identify performance measures. There are a number of baseline measures available from the Malatest report, the Renewal Project consultations, as well as the employee engagement survey sponsored by the OAG.

OAG Recommendation #4

PSERC agrees that service standards be established and used to measure performance. As part of the Service Plans, every ministry, including PSERC was required to establish service and performance measures. Many such standards will be based on benchmarks set by well-performing organizations, including the private and broader public sectors.

OAG Suggested Opportunity for Improvement #1

PSERC agrees there is a need for stronger leadership. Acquiring, developing and retaining top executive talent will receive a new focus of attention. The new consolidated Human Resource Agency that is presently being formulated will include as part of its mandate—to attract, recruit and develop the management talent needed both for today and into the future.

Stronger leadership is also equated with stronger performance accountability. The development of a comprehensive Performance Management Framework will assist individuals to annually develop their performance outcomes in order to align work priorities with those of *the organization. This management process facilitates regular feedback and evaluation to employees on their progress toward meeting mutually agreed performance outcomes, combined with open two-way discussion about the employee's needs and aspirations for training, development, career progression and personal growth. This provides ongoing opportunities for leaders to articulate the vision, engage in conversation with employees and thereby create greater trust.*

OAG Suggested Opportunity for Improvement #2

PSERC agrees there is a need to address day-to-day work issues. There are challenges in responding to the accelerated rate and complexity of change occurring within the public service. These include the shifts in organizations, core businesses, ways of work, and the workforce.

To help employees better understand what skills, and abilities they will need to be effective in their jobs, government has acquired a Competency Framework that can be used to define all the key requirements for every position in the public service. The application of such tools as the Competency Framework will provide managers and human resource practitioners with better methods of assessing employees' needs for development and training.

The broad application of performance management tools will also help employees understand how their own work contributes to the goals of their ministries. An important outcome will be improved performance accountability. There will be mutually established, objective, performance measures. Excellent performance will be recognized and poor performance will no longer be ignored. This latter issue was a particular point of dissatisfaction with employees canvassed in both the Malatest and Renewal studies.

In summary, we recognize the need to create work environments that promote innovation, risk taking and offer a suitable work-life balance. In order to move in this direction, government is significantly simplifying and decreasing the policies and regulations regarding people management. This will help modernize our workplaces and put them on par with best practices utilized by other well performing organizations elsewhere.

OAG Suggested Opportunity for Improvement #3

PSERC agrees there is a need to improve opportunities for individual recognition. As noted above, we believe greater focus needs to be placed on individual employees becoming more outcomes focussed and accountable. In this way, appropriate reward and recognition programs can be objectively and effectively targeted toward those who meet or exceed their performance goals. Again, this need can be met through the use of performance management tools described above.

The OAG noted that government administers a number of corporate programs for employee rewards and recognition. As part of Renewal, government is reviewing the effectiveness, efficiency and impact of these programs. Opinions and input will be solicited from employees on how these programs might be improved or changed to meet new circumstances.

OAG Suggested Opportunity for Improvement #4

PSERC agrees that individuals must be provided with opportunities to develop—however—they must also take personal responsibility for identifying their aspirations and taking ownership of their own career development. As noted above, career development plans will be developed as part of individual performance management plans, in dialogue with their manager.

One of the concerns noted in the OAG report was the perceived lack of promotional opportunities. An "Update Report on the Need for Succession Planning in the British Columbia Government—January 2002" written for PSERC (www.pserc.gov.bc.ca), projects the retirement rates in the public service. The data suggests that between 2001 and 2005, at least 15% of all Management Level 4 and above will retire, and among executive levels (ML 9-12) one in five will have retired.

Given the inevitability of the social and demographic trends taking place in all workplaces in BC, it is clear that there will be a number of outstanding career opportunities for aspiring public servants and for those members of the general public who would like to seek careers with the Province of BC.

Summary

The Public Service Renewal Project is dedicated to a long-term plan of improvement and change. The commitment has been made at the highest levels of the public service, and supported by leaders in every ministry. The approach is to be well planned, integrated with government's strategic priorities, outcomes focussed and sustained through progressive action.

The focus is on leadership development and modernizing human resource management policy and practices. The outcome is to create work environments that support public service employees—the people who are depended on to deliver quality services to British Columbians.

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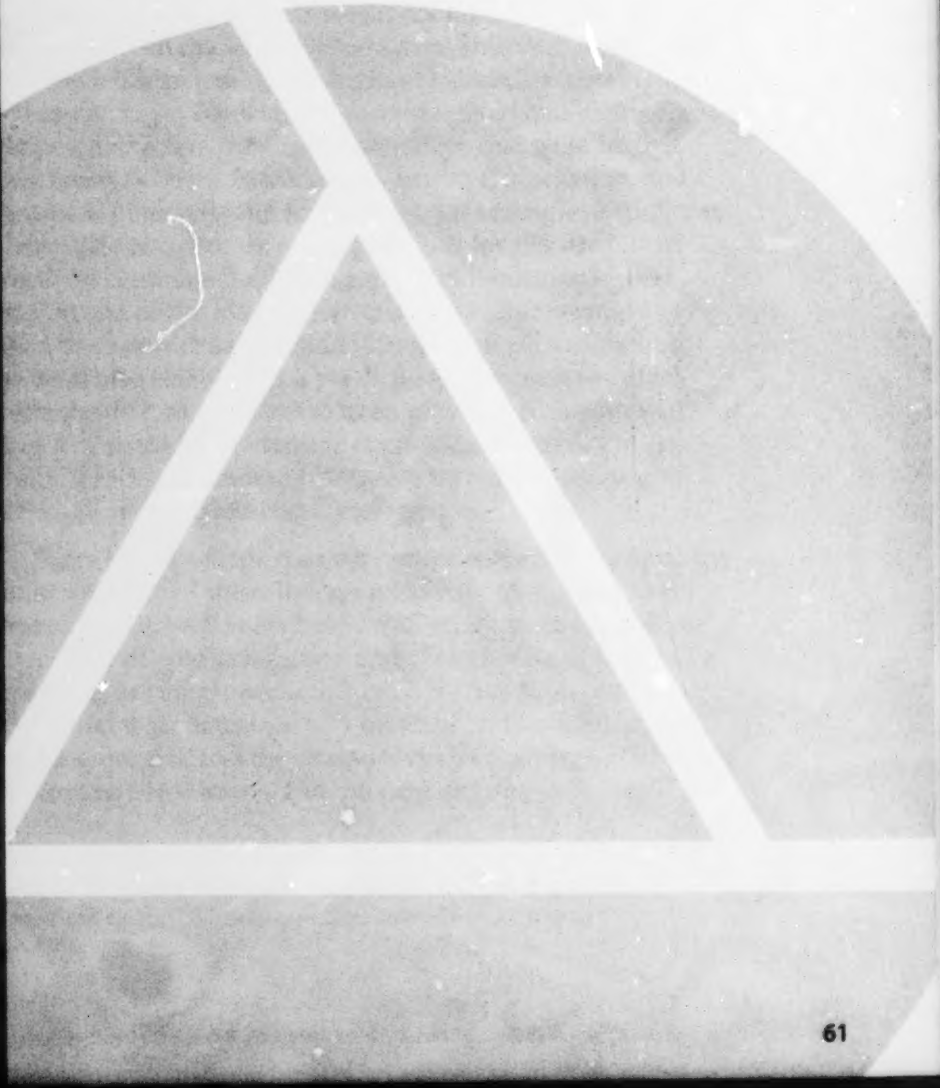
appendices



appendix a

Engaged employees are key to good organizational performance

Research has shown that an organization's clients or customers tend to be more satisfied when the organization's employees are enthusiastic about their job and satisfied with their work environment. For example, a 1998 report by the Conference Board of Canada summarized the findings of a number of studies that showed clear linkages between strong financial performance, loyal customers and employee enthusiasm.[46] Although the research in the Conference Board's report focused on private sector companies, much of the work discussed is also applicable to the public sector—particularly research on the linkages between employee satisfaction and customer satisfaction.

The Conference Board report also included a number of case studies of companies that had attempted to measure the linkage between financial performance, customer loyalty and employee enthusiasm. These included Canadian companies, such as the Royal Bank, at the early stages of measuring these linkages, and a few American companies that were further along (such as Sears, Ritz-Carlton, Saturn Corporation, and Johnson & Johnson). The Royal Bank, for example, found that at least 40% of customer satisfaction and loyalty are linked directly to customers' relationships with bank employees, and that one of the four employee factors most strongly linked to customer satisfaction is employee job satisfaction. The bank also established a predictive, econometric model which shows that an increase in employee satisfaction will result in a predictable increase in customer satisfaction and loyalty, which in turn will ultimately increase revenue and profit—all within predictable time periods.

Sears US is perhaps the best-known example of a company that has measured these linkages and fully integrated them into its operations.[47] Sears has identified a strong correlation between employee satisfaction and customer satisfaction. If a store increases employee satisfaction by five units, customer satisfaction with that store will increase by two units in the following quarter, and the revenue will increase by 0.5% beyond the Sears national average in the next quarter.

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[46] Conference Board of Canada. *Loyal Customers, Enthusiastic Employees and Corporate Performance*, 1998.

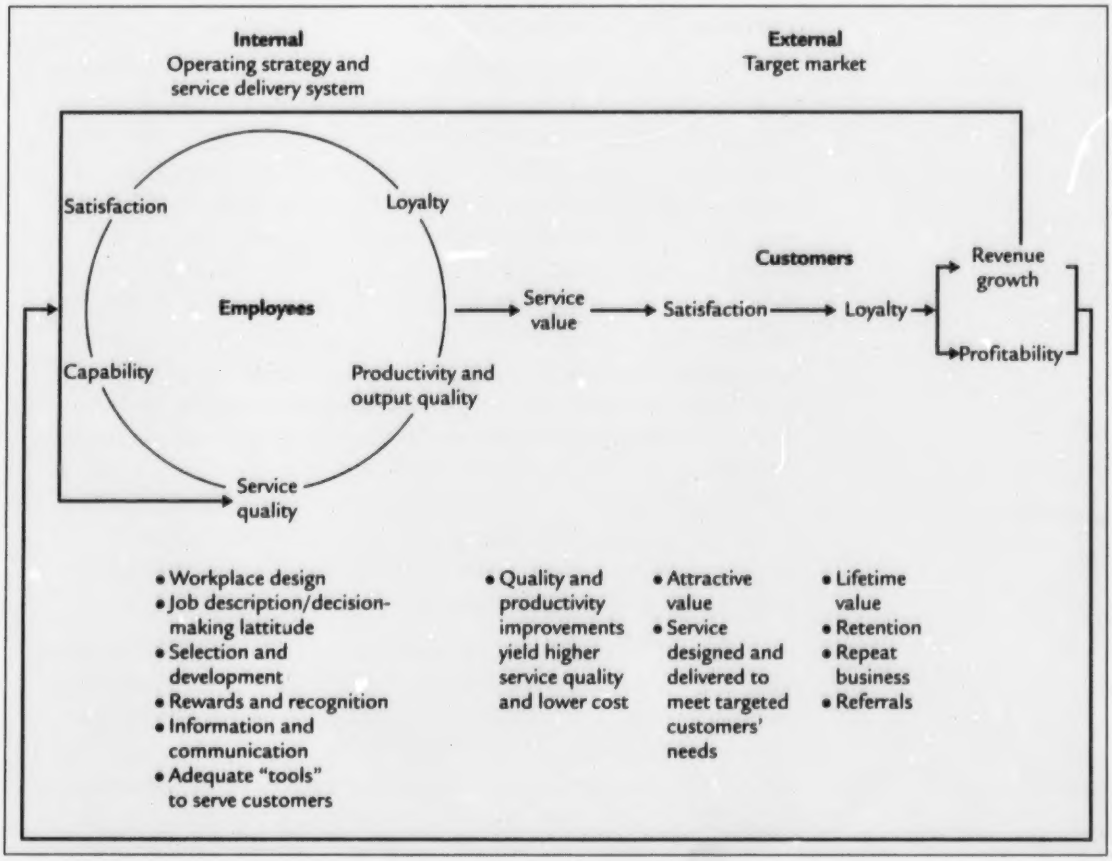
[47] Rucci, Anthony J., Steven P. Kirn and Richard T. Quinn. "The Employee-Customer-Profit Chain at Sears." *Harvard Business Review*, January-February, 1998.

Among the best-known researchers exploring the linkages between employee and customer satisfaction are Heskett, Sasser and Schlesinger, who have developed a framework called the Service Profit Chain (see Exhibit A1). They found particularly strong linkages between employee and customer satisfaction and between employee satisfaction and employee perceptions of their own capability to deliver service.[48]

Findings from other studies support these linkages. First Tennessee National Corporation, for example, found that improving the work-life balance for employees results in

Exhibit A1

The service profit chain


Internal
Operating strategy and service delivery system
External
Target market
Satisfaction
Loyalty
Employees
Capability
Productivity and output quality
Service quality
Service value
Customers
Satisfaction
Loyalty
Revenue growth
Profitability
• Workplace design
• Job description/decision-making lattitude
• Selection and development
• Rewards and recognition
• Information and communication
• Adequate "tools" to serve customers
• Quality and productivity improvements yield higher service quality and lower cost
• Attractive value
• Service designed and delivered to meet targeted customers' needs
• Lifetime value
• Retention
• Repeat business
• Referrals

Heskett, Sasser and Schlesinger, 1997

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[48] Heskett, James L., W. Earl Sasser Jr. and Leonard A. Schlesinger. *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value.* New York: The Free Press. 1997.

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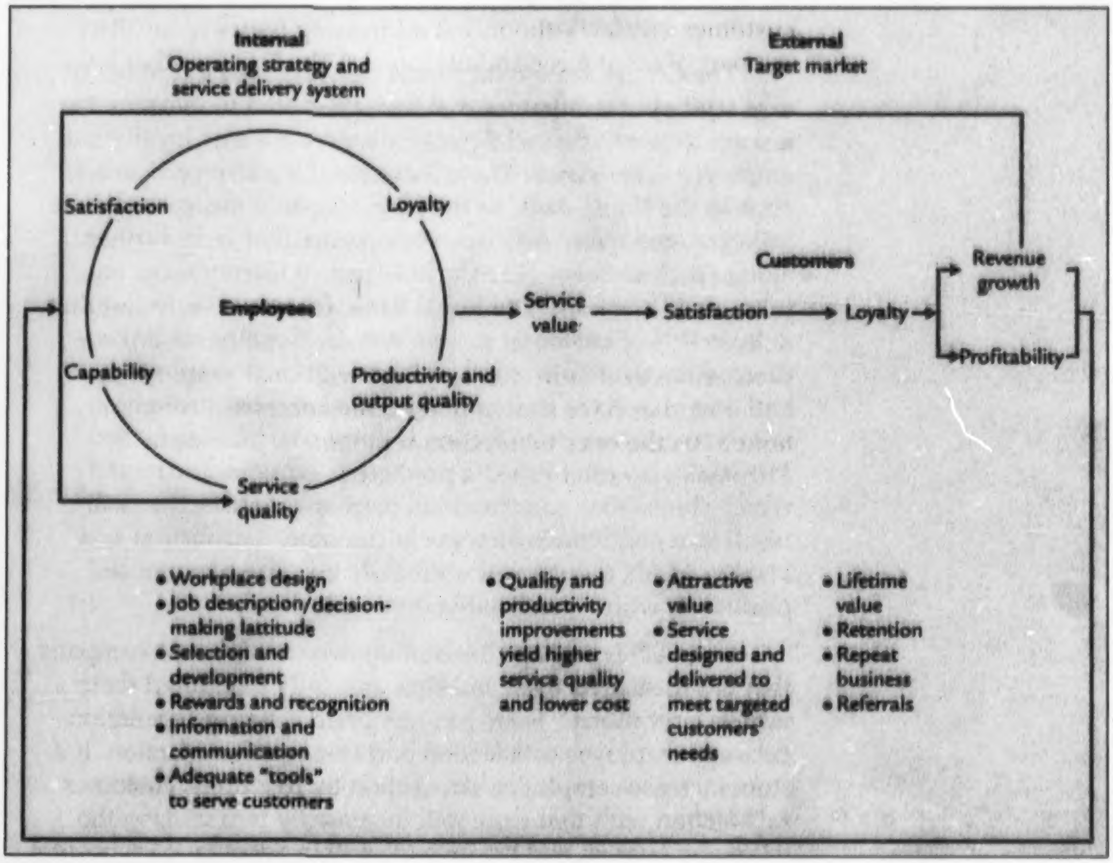
Internal
Operating strategy and service delivery system
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Target market
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[48] Heskett, James L., W. Earl Sasser Jr. and Leonard A. Schlesinger. *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value.* New York: The Free Press. 1997.

improved retention, which leads to better customer retention and increased profits.[49] A 1997 meta-analysis by Gallup Organization found that engaged and satisfied employees are positively related to better productivity, profitability, employee turnover and customer satisfaction.[50] A 1993 study by Schneider and Bowen also highlighted a linkage between employee satisfaction and customer satisfaction. The authors found that knowing how employees experience their work world provides a statistically significant prediction of customer experiences of overall service quality.[51] Their study showed that employees need to feel that their own needs have been met before they can become enthusiastic about meeting the needs of customers.

Frederick Reichheld of the U.S.-based Bain Associates has shown that employee retention and customer retention are interdependent. Many firms he studied could not improve customer loyalty without first addressing issues of loyalty on the part of employees and investors.[52] The link was that loyal employees learn ways to cut costs and improve quality, increasing customer value and productivity.

More recent research has supported these findings. A 2001 study of a restaurant chain by Daniel Koys showed that employee performance and retention influence business outcomes.[53] An earlier study conducted by Walter Tornow and Jack Wiley of a computer corporation found strong positive relationships between customer satisfaction, employee perceptions and attitudes, and organizational performance.[54] Other studies have shown that highly successful companies tend to be the ones that focus on the interests of many stakeholders rather than just one or two.[55]

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[49] Flynn, Gillian. "1997 Financial Impact Optimas Award Profile: First Tennessee National Corp." *Workforce*, March 1997, Vol.76, No.3.

[50] Buckingham, Marcus and Curt Coffman. *First, Break All the Rules*. The Gallup Organization. Simon and Schuster: New York. 1999.

[51] Schneider, Benjamin and David E. Bowen. "The Service Organization: Human Resources Management is Crucial." *Organizational Dynamics*. New York, Spring 1993.

[52] Reichheld, Frederick. *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*. Boston: Harvard Business School Press, 1996.

[53] Koys, Daniel J. "The Effects of Employee Satisfaction, Organizational Citizenship Behavior, and Turnover on Organizational Effectiveness: A Unit Level, Longitudinal Study." *Personnel Psychology*, Spring 2001. Vol. 54 Issue 1.

[54] Tornow, Walter W. and Jack W. Wiley. "Service Quality and Management Practices: A Look at Employee Attitudes, Customer Satisfaction and Bottom-Line Consequences." *Human Resource Planning*. 14:2, 1991.

[55] Kotter and Heskett. *Corporate Culture and Performance*. New York: The Free Press, 1992; Collins, James C. and Jerry I. Porras. *Built to Last: Successful Habits of Visionary Companies*. New York: HarperCollins Business, 1994.

In our opinion, these studies show clearly that performance improves when employees are engaged. Interested, motivated employees are easier to retain, they attract others into the organization, they provide good customer service, and they are more productive.

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appendix b

Our government-wide survey methodology

Survey design

In selecting our survey methodology, we reviewed a number of different statistical models and work environment surveys and studies. We selected an instrument developed by Hewitt Associates, a well-known human resource consulting firm, because it has one unique feature—predictive modeling. This feature allowed us to quantify the importance of the work environment factors that influence engagement, and to project the effect of changes on future employee engagement. The core questions and the 6-point scale on our questionnaire were similar to those used by Hewitt in their comprehensive 2002 Best Companies to Work for in Canada study of 161 Canadian employers (public and private). Statistics Canada and Hewitt Associates assisted us in the survey development and analysis of results.

The results in this report are based on a random probability sample of regular, full- and part-time British Columbia government employees directly employed by ministries, representing a population of 27,500 (the number of public servants we included in our population). Starting with an initial sample of 6,127, we achieved an overall response rate of 74%, resulting in 4,538 respondents. For the most part, the questionnaire was very well completed, with virtually no questions going unanswered.

The random probability sample, selected using a methodology supplied by Statistics Canada, balanced the need to model employee "engagement" with the need to produce reliable estimates. The sample was stratified to ensure that reliable results could be produced for each of the larger ministries and for occupational groupings. Stratification, systematic sampling, and post-stratified weighting adjustments were used to ensure that the sample was also broadly representative by gender and region.

The sampling frame for the survey was the payroll, or CHIPS file (Corporate Human Resource and Payroll Systems), as of the end of August 2000. From this file, records that did not meet the criteria for inclusion in the target population were dropped. The CHIPS file also provided information to create the occupation and ministry strata of interest. The occupational coverage of the CHIPS file is essentially complete, so the survey results can be said to apply to all regular British Columbia government employees employed directly by ministries.

The occupation groupings used for the survey match those used by both federal and provincial governments for employment equity reporting. This grouping of occupations, based on the National Occupation Classification (NOC), was chosen because it would allow comparisons to other human resources data collected by government. Some further collapsing of occupation codes was necessary because of the rarity of certain occupations in government. Two special strata were formed: one with all service occupations, and the other with the trades, manufacturing and manual occupations. Exhibit B1 illustrates how British Columbia government employees are classified by occupation.

Exhibit B1

Occupational groups within British Columbia's public service

Occupational Groups	Classification Examples
Senior Managers	Senior Managers (ML 6-10)
Middle and Other Managers	Middle Managers (ML 1-5)
Professionals	Includes, for example: Financial Officers (4-6), Education Officers, Information System Analysts (7-13), Legal Counsel (2-4), Administrative Officers (5-7), Licensed Science Officer, Training Consultants, and Biologists
Semi-Professionals and Technicians	Includes, for example: Activity Workers (2-6), Child Care Counsellors (1-4), Information Systems (3-6), Photo Arts Technicians (2-5), Social Program Officers, Scientific/Technical Officers (1-7), Conservation Officers (4-7), Inspectors and Technical Enforcement Officers (2-7)
Supervisory- Clerical and Services	Administrative Officers (3 and 4), Clerks 5 and Food Production Services Workers (4 and 5)
Administrative and Senior Clerical	Includes, for example: Administrative Assistants, Administrative Officers (1 and 2), Clerk Stenographers (4 and 5) and Financial Officers (1-3)
Clerical Workers	Includes, for example: Stock Workers (2-5), Court Clerks (1-3), Clerks 3 and 4, and Office Assistants.
Service Occupations	Includes, for example: Health Care Workers, Building Maintenance Workers, Correctional Officers, and Deputy Sheriffs
Trades, Manufacturing, Processing and Manual Workers	Includes, for example: Electricians, Painters, Mechanics, Machinists, Foreman (1-4), Park Assistants (1-3), Machine Operators (1-6), Forest Technicians, and Deck Hands

During our audit, the British Columbia government underwent a significant restructuring. Many ministries were changed—some ministries were split into two, some were combined, and some disappeared. Exhibit B2 illustrates the ministry strata.

Analysis and results

The numerical results presented in this report are percentages of employees selecting the two most favourable categories on a 6-point scale (e.g., those selecting "1" or "2," corresponding to "strongly" or "mostly agree"). The bulk of the percentage estimates are calculated over the full population of British Columbia public servants. These have a margin of error of less than ± 2%, 19 times out of 20. The few percentage estimates calculated for smaller subgroups, such as employees under age 30, have somewhat higher margins of error, the largest being ± 6%, 19 times out of 20. As well, only differences found to be statistically significant (at 95% confidence level) are presented.

Exhibit B2

Changes in government ministries in British Columbia's public service

Ministry Strata	
Ministries at time of survey	**Ministries as of December 31, 2001**
Attorney General	Attorney General and Minister Responsible for Treaty Negotiations Public Safety and Solicitor General
Children and Families	Children and Family Development
Forests	Forests
Social Development and Economic Security	Human Resources
Transportation and Highways	Transportation
Finance and Corporate Relations	Finance Provincial Revenue
Environment, Lands and Parks	Water, Land and Air Protection Sustainable Resource Management
Health	Health Planning Health Services
Advanced Education, Training and Technology	Advanced Education
Rest (combination of all smaller ministries)	Rest (combination of all smaller ministries)

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Transportation and Highways	Transportation
Finance and Corporate Relations	Finance Provincial Revenue
Environment, Lands and Parks	Water, Land and Air Protection Sustainable Resource Management
Health	Health Planning Health Services
Advanced Education, Training and Technology	Advanced Education
Rest (combination of all smaller ministries)	Rest (combination of all smaller ministries)

The modeling sought to find the relationship between a measure of employee engagement (the dependant variable) and employees' satisfaction with various aspects of their jobs (the independent variables), such as career advancement opportunities or physical working conditions (14 in all). Engagement was represented by survey responses to the following questions:

Serve	I feel the work I do makes an important contribution to the ministry's success.
Say	I would highly recommend this department to a friend seeking employment.
	I am proud to tell others I am part of this department.
	I think this department is a great place to work.
Stay	If I had my way I'd be working in the BC public service 1 year from now.
	If I had my way I'd be working in the BC public service for the rest of my career.

Using logistic regression, the first step was to find the equations that best describe the relationships between the components of employee engagement and the independent variables. A simulation was then run to determine which job related factors had the highest impact on the overall engagement score, as measured by the population average of the 6 components. From this, the most influential factors were identified, based on their association (correlation) with engagement and their scope for improvement. For instance, ministry leadership arose as a leading factor because of its correlation with engagement and because, with only 27% of employees satisfied, it had considerable room for improvement.

Hewitt's study of 161 Canadian employers provided a comparison group to set our survey findings in context. The 161 organizations were ranked according to their overall engagement scores. The scores were based mostly on employee surveys. The average overall engagement score for the top 50 companies was 79% and formed our comparison group. We were then able to compare our results, on a question-by-question basis, with the averages found amongst these 50 organizations.

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